SEPTEMBER 5 1993

Twist and quirm

Michael Thompson-Noel

HAWKS & HANDSAWS

Russian crossroads
Political stalemate and its economic fallout
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Northern exposure
What Nordic countries want from the EC
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Britain's unions
Can John Monks lead them back from the margin?
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Reinsurance
Reaping the whirlwind
Survey, Pages 21-26

FINANCIAL TIMES

Europe's Business Newspaper — MONDAY SEPTEMBER 6 1993 — D8523A

Boost for AT&T in bid for share of UK telecoms market

Oftel, the UK telecommunications regulator, has given the strongest signal yet that American Telephone & Telegraph will be allowed to compete with British Telecom in the £15bn-a-year UK telecommunications market.

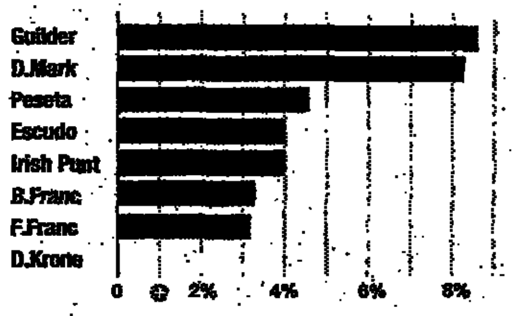
Oftel has invited AT&T to a seminar next month called to discuss the terms on which competitors should be allowed access to BT's network. Page 12

US investors turn to Europe: US investors who helped drive the London stock market to new peaks are turning their attention to other European bourses, threatening to undermine the UK equity market's recent rally. Page 12

Romanians' short-cut to riches: More than 2m Romanians have sunk cash into a scheme in the Transylvanian town of Cluj which takes minimum deposits of Lei20,000 ($23) with a promise to pay back eight times the amount in three months. Page 12

European Monetary System: The Belgian franc was the dominant feature of the European exchange rate mechanism last week. It started the week third from bottom of the system, separated by 4.25 percentage points from the weakest currency, the Danish krone. By the close on Friday, it had fallen to second from bottom, only 2.80 percentage points separating it from the Danish currency. The grid's currencies are diverging in general: some 8.71 percentage points separate the weakest and strongest, with the permitted divergence being 15 per cent. Economics Notebook, Page 13; Further rises for D-Mark, Page 3; Currencies, Section II

EMS: Grid — September 3, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. After the reform of the exchange rate mechanism on August 2, 1993, one member currency can rise against another by as much as 15 percentage points in the system's grid. The exception is the divergence between the D-Mark and the Dutch guilder, which remain tied to each other in a 2.25 per cent band.

Merck, the US's biggest drugs company, has run into a setback in its planned $6bn takeover of Medco Containment Services, the country's largest mail-order drugs distributor, after the Federal Trade Commission indicated that it planned to scrutinise the deal more closely. Page 13

Reed Elsevier, international publishing and information group, has finally realised its planned purchase of Official Airline Guides, paying $417m in cash for the airline schedules and hotels information group. Page 14

Volvo: Sweden's centre-right government agreed to a full merger between the country's premier manufacturing company, and Renault, the state-controlled French car and truckmaker due to be privatised shortly. Page 16; Observer, Page 11

Toronto SE launches index: The Toronto Stock Exchange is to launch on October 1 an index of 100 most actively traded stocks, designed to help institutional investors measure Canadian equity performance more accurately. Page 16

US widens Iraqi arms probe: The Clinton administration is moving ahead with a broadened investigation of the US role in Iraq's arms procurement network and has not ruled out the possibility of naming a special prosecutor. Page 5

Iraqi PM sacked: Iraqi prime minister Mohammed Hamza al-Zubeidi has been replaced by finance minister Ahmed Hussein Khudayyir, who will retain the finance portfolio.

Union leader looks to US: John Monks, who this week becomes general secretary of the UK's Trades Union Congress, wants to draw on lessons from the US labour movement in his efforts to reverse the trend of declining union membership. Page 6

Major faces test on taxes: UK prime minister John Major was last night facing a new test of his leadership as the Tory right stepped up its efforts to head off possible tax increases in the November Budget. Page 6

California plans ballot change: California plans to hold its presidential primary ballot earlier in the year, giving it greater impact on the shape of future US elections. Page 5

Japan to set lower interest rates: The Bank of Japan is on the verge of reducing official interest rates in an attempt to stimulate an ailing economy and restore consumer and corporate confidence, bank sources say. Page 5

Paris seeks employment pact: The French government is to invite employers and trade unions to agree on the flexible working of shorter hours in an attempt to reduce the country's record 11.7 per cent unemployment rate. Page 2

Mile mark lowered: Algerian Noureddine Morceli broke the eight-year-old world mile record held by Steve Cram of the UK with a time of three minutes 44.39 seconds at a meeting in Rieti, Italy.

Palestinian officials warn internal PLO agreement may take weeks

Israel confident on peace deal

By Andrew Gowers and Julian Ozanne in Jerusalem and Mark Nicholson in London

ISRAEL said yesterday that it was on course to conclude deals by next week on recognising the Palestine Liberation Organisation and on Palestinian self-rule, despite continuing haggling over the terms governing recognition.

Israeli ministers were united after yesterday's cabinet meeting in proclaiming that the sole remaining obstacles to signing the two agreements were matters of wording, not principle – in particular the wording of a statement to be issued by the PLO dissociating itself from terrorism and disavowing significant parts of its founding charter.

As a measure of mounting confidence within Israel over the prospects of a real peace breakthrough, stock prices on the Tel Aviv exchange rose to a record high yesterday, with the Mishtanim share index rising 10 points to close at 226.76.

However, Palestinian officials in Washington cautioned that it could take weeks for the PLO push the outline agreement through its internal decision-making bodies. "The [PLO] executive committee is meeting Thursday, after that the central council. It is going to take some time," said one official.

Israeli and US officials have both expressed the hope that the "declaration of principles" governing early autonomy in the Gaza and Jericho and covering Palestinian empowerment elsewhere in the West Bank could be signed in Washington on September 13, at the end of the present round of peace talks.

Both sides are determined to sustain momentum behind the breakthrough agreement on limited self-rule for the Palestinians, unveiled more than a week ago after secret talks in Oslo.

Mr Yassir Arafat, the PLO chairman, arrived yesterday in Damascus to win public support for the deal from President Hafez al-Assad, having at the weekend won open backing from the mainstream Fatah faction of the PLO and from King Hussein, the Jordanian ruler. The Syrian government has reserved comment on the deal, which has been sharply criticised in its official press.

However, Mr Arafat told reporters before flying from Cairo to Damascus: "We're on the verge of finalising this agreement."

Mr Arafat is also seeking to accommodate internal Palestinian opposition to the agreement, partly to expedite its approval by PLO decision-making bodies, and has sought a meeting with Mr George Habash, leader of the hard-line Popular Front for the Liberation of Palestine.

He is then expected to visit the Gulf, where he is likely to seek both political and financial backing for the agreement. Gulf foreign ministers convened in Riyadh yesterday to discuss the deal.

The Israeli government is equally determined not to see momentum lost. "No one has an alternative. It is impossible to go back. There is no going back," Mr Shimon Peres, foreign minister, told Israel radio, echoing a statement made by Mr Arafat in his first-ever Israeli television interview on Saturday.

Mr Haim Ramon, health minister, said: "We have our difficulties, internal difficulties, and they [the PLO] have even more difficulties. I want to believe that we will be able to conclude in the next few days."

Israel has signalled it would be happy to sign only the self-rule agreement in a week's time in Washington, but the PLO wants

Continued on Page 12

Tens of thousands of Israelis crowded into Tel Aviv's central square at the weekend in a rally to back the government's peace efforts Reuter

Arafat steps up drive to win Arab backing ....Page 4

VW orders inquiry into surge in Seat losses

By Christopher Parkes in Frankfurt

MR Ferdinand Piëch, Volkswagen chairman, has ordered an examination of the books at Seat, following a rapid and unexpected surge in losses at the car group's Spanish subsidiary.

He is believed to have commissioned a special audit after receiving reports of a looming deficit at Seat this year of DM800m ($482m) or more, and requests for an urgent DM1bn cash injection.

The subsidiary, which was taken over in 1986 and operates some of the most modern and low-cost manufacturing sites in the group, lost DM180m last year on sales of DM10bn.

The need for an investigation adds to the burdens of Mr Piëch, who is already weighed down by a bitter clash with General Motors of the US over allegations of industrial espionage.

At the same time, he is battling to restore his personal credibility after having had to back away from earlier promises that the struggling VW automotive group would return to profit this year.

Mr Piëch, VW chairman since January 1, last Friday took on extra responsibilities – for auditing and government relations – after discussions with the group's supervisory board on measures to save Seat.

No rescue decisions were taken, and a statement issued after the sitting referred only to "cause for concern" at Seat and in North American and Asian-Pacific markets.

Whatever the findings of the audit, which will be reported directly to Mr Piëch, VW appears to have little alternative but to step in with a salvage operation which could wreck the chairman's hopes of a successful first financial year at the group.

VW lost DM1.6bn in the first half, although the supervisory board said on Friday that it expected a positive result in the third quarter for the German parent and the group as a whole.

The most likely source of cash for Seat is an intra-group transfer of DM1bn in return for which the parent would take control of the Spanish subsidiary's Pamplona plant, currently used to manufacture VW-marque Polo cars.

The sale had already been planned and now it seemed advisable to bring it forward, Seat said at the weekend.

The company blamed its troubles on the motor industry slump and the devaluation of the peseta, which had pushed up the cost of imported parts. It made no reference to the relative advantages for selling prices of the peseta's loss of value.

In the first half of this year, while VW group vehicle production fell 19 per cent, output of Seat cars tumbled 34 per cent.

VW has invested more than DM4bn in its Spanish business in the past two years, spending mainly on a new lean production factory at Martorell, and updating other sites.

In July Seat scrapped a joint venture with Suzuki of Japan to build 150,000 mini-cars a year in Barcelona.

Further cuts in Japanese car exports to Europe agreed

By Michiyo Nakamoto in Tokyo

THE EUROPEAN Commission and Japanese authorities agreed at the weekend to cut the number of cars entering the European Community from Japan this year to 980,000 units, a fall of some 17.6 per cent from last year's level.

The deal, which was reached in Tokyo after two days of intense talks, goes much further than an earlier agreement in April that, given the weakness of the European car market, Japanese exports to the EC should be reduced by 9.4 per cent to 1.09m units.

The agreement favours the EC car industry at the expense of Japanese makers, which were hoping to keep the figure above 1m units. Japan was, however, able to win agreement that the level of Japanese exports could be adjusted mid-year, not only if EC market conditions deteriorated substantially, but also if they improved.

The two sides reached an understanding only after a second session of talks on Friday extended throughout the night to about midday on Saturday.

Exports to the UK are maintained under the new agreement at 202,800 on the grounds that market conditions are improving there. Exports to France are to fall to 69,000 from an initially agreed 77,300, while those to Italy are down to 38,800 from 42,900, Spain to 29,300 from 34,200 and Portugal to 39,000 from 41,500.

Under a monitoring arrangement aimed at gradually opening up the EC market to Japanese car exports, Japan limits the number of cars it exports to the EC to a mutually agreed level. This arrangement is due to end with full liberalisation in 1999.

The agreement in April was based on a forecast by the European Commission that the EC car market would fall 6.5 per cent this year to 13m units. However, EC automotive demand fell 18.5 per cent in the first seven months of the year. The latest agreement is based on mutual recognition that demand for cars in the EC market will reach some 11.7m units in 1993.

Although the Japanese authorities had recognised the weakness of car demand in the EC, and were in principle agreed that a reduction would be necessary, they had at first resisted the EC's request, in part out of fear of setting an unwanted precedent.

The Japanese car industry, which has been under severe pressure from weak demand in its home market and fierce competition in the US in the wake of a higher yen, expressed a mixture of concern and resignation. "Our basic stance is that given the weakness of the EC market, it cannot be helped," a Toyota official said.

It is unlikely Japanese car exports would have been much greater than the level agreed at the weekend. Exports to the EC were already down 16 per cent in the first six months of the year.

France in veto threat, Page 2
Commercial vehicle sales, Page 8

EC to probe antitrust allegations against Microsoft

By Louise Kehoe in San Francisco and Geof Wheelwright in Vancouver

EC competition authorities are investigating allegations of antitrust violations by Microsoft, the world's largest computer software company.

According to Microsoft, the EC investigation stems from a complaint filed on June 30 by Novell, the leading computer networking software company and Microsoft's arch-rival.

The allegations follow abortive secret merger talks between the two companies last year.

The Directorate General for Competition (DG4) is currently "assessing the merits of Novell's allegations," Microsoft said. "We believe Microsoft has acted in a legal and ethical manner and we look forward to presenting our evidence to the Directorate-General."

The EC antitrust investigation mirrors a similar probe by the US Justice Department, which recently began a review of information gathered over three years by the US Federal Trade Commission. The Justice Department intervened after the FTC was deadlocked twice on whether to take action against Microsoft.

While under FTC investigation, Microsoft made an offer to acquire Novell for $12bn-$13bn.

In the UK, the Office of Fair Trading has also looked into charges of anti-competitive activities by Microsoft. However, the OFT is now believed to have suspended its investigation in view of DG4's involvement.

Each company now accuses the other of having failed to negotiate in good faith. Novell is bitter about what it sees as Microsoft's use of the protracted merger talks to slow its attempts to compete in the PC operating market. Microsoft says it was Novell that dragged the talks out and finally called them off.

Novell declined to comment directly on its complaint, but acknowledged that it and "other significant software companies" have been involved in discussions with DG4 about Microsoft.

The complaint is, however, understood to charge that Micro-

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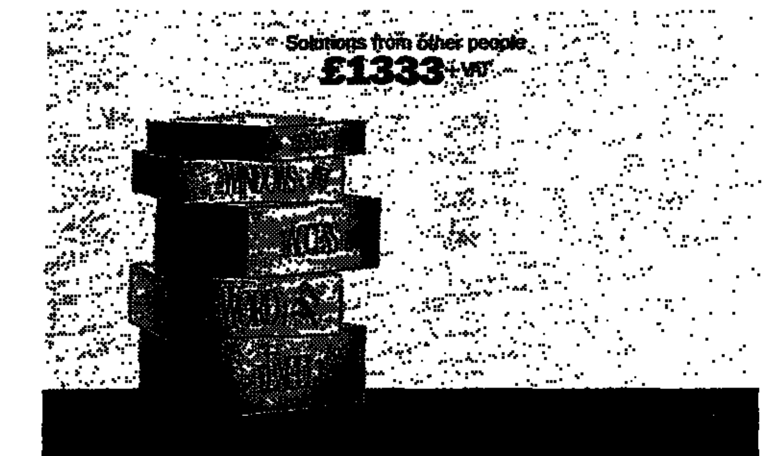

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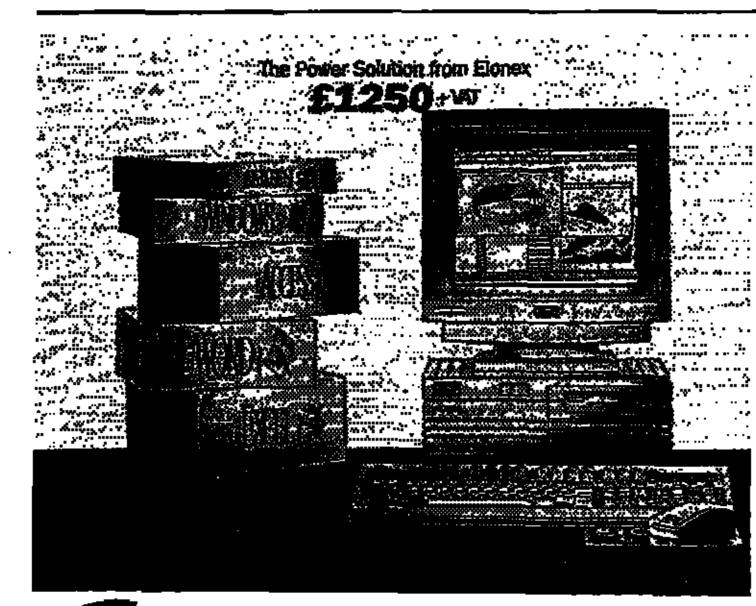

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France may veto farm trade accord

By David Buchan in Paris

FRANCE yesterday revived its threat to veto the European Community's draft farm trade accord with the US unless substantial changes are made to the agreement.

Over the weekend, a senior French official warned that France would tell its EC partners at a meeting of the Council of Ministers on September 20 that France would refuse to sign the Blair House accord unless agricultural discussions with the US were reopened.

"Unless it is now reopened," the official said, "there will be a crisis in September rather than December" - the target date for finishing the Uruguay Round of global trade liberalisation talks.

France in the next few weeks will step up its campaign to persuade the rest of the Community of the need to water down the restraints on European farm exports agreed last November.

"If the Commission does not budge," said the official yesterday, "we will invoke the Luxembourg compromise [the convention by which a veto may be used in defence of a vital national interest].

"And if it does not budge, the Commission, which is charged with the solidarity of the Community, will be responsible for its breaking up."

Mr Peter Sutherland, Gatt's new director-general, is due in Paris on Wednesday to see Mr Edouard Balladur, prime minister, and is expected to warn him that re-opening the Blair House accord would be counterproductive for Europe in terms of winning new US concessions, and would cause the Uruguay Round to miss its December 15 negotiating deadline.

In Bonn yesterday, Mr Klaus Kinkel, German foreign minister, indicated he hoped France would settle for a reinterpretation of the agreement rather than renegotiation.

While Germany has made sympathetic noises over the French position, it has made clear it does not want to reopen the accord.

"We have had a delegation of experts in Paris," Mr Kinkel told German radio. "Perhaps we will come to a point through interpretations where a change in the Blair House accord will not be necessary." He added that a solution might be found before the September 20 meeting of EC ministers.

However, Mr Kinkel said he understood France's opposition to the accord, which entails a 21 per cent reduction in subsidised farm exports.

France, which has sought in particular to ensure the agreement is compatible with the EC's own farm reform, is likely to deny the need for haste on agriculture when many non-farm aspects of the Gatt negotiations are behind schedule. It will try to secure new concessions by putting the onus on other member states more anxious than France about the December deadline.

Meanwhile, French farmers, who are planning mass demonstrations on September 15, are now accusing the government of duplicity, of showing a softer face on Gatt to France's farmers.

Threat of veto marks a toughening of the rhetoric

France wants to secure the support of a majority of member states at the Council of Ministers meeting. But the prospect of Paris using its veto on the issue marks a toughening of the rhetoric of the Balladur government. In its five months in office, it has sought to negotiate itself out of its isolation on agriculture, rather than publicly brandish its veto.

Labour minister proposes measures to combat France's record unemployment rate

Paris seeks pact on flexible working hours

By David Buchan

THE government of Mr Edouard Balladur is to invite France's employers and trade unions to strike an historic bargain on the flexible working of shorter hours, in an attempt to reduce the country's record 11.7 per cent unemployment rate.

In an interview with the Financial Times, Mr Michel Giraud, France's labour minister, confirmed he would make the proposal when he and Mr Balladur meet employers and union leaders today to get their final views on the government's planned five-year labour pact. The bill is shortly to go before parliament.

The conservative government has responded to employers' demands for more flexible labour patterns by setting an annual, rather than weekly, cap on working hours. But in a shift from last spring's election campaign, in which it mocked Socialist calls for shorter hours, the government is now inviting employers to join unions in negotiating a reduction in the 39-hour maximum work week.

"I know that many unions are much more positive about the 'annualisation' of working hours if there is the prospect of reducing these hours overall," said Mr Giraud. "If companies which want the flexibility of annualised work limits are ready to make an effort in reducing the length of work, why not?"

This suggested trade-off is part of Mr Giraud's attempt to reverse France's structural tendency to shed jobs faster and to create employment more slowly than most other leading industrial countries. By July, there were 3.21m unemployed, 21m, with the loss of jobs in the second half of the year still officially forecast to outstrip the disappearance of 175,000 jobs in the first half.

The labour minister described the priority the government was giving to unemployment as "obsessional", reflecting society's widespread fears about the problem. He cited a recent survey showing that eight in every 10 French schoolchildren feared they would end up in the dole queue.

But in contrast to the piecemeal approach of the Socialist government which produced six labour laws in five years, Mr Giraud claims his catch-all programme for the next five years will tackle France's fundamental problems of high labour costs, inadequate training, and rigid practices, many dating back to the Socialist-led Popular Front of the 1930s and before.

Measures include a progressive shift of family allowance charges from the salaries of lower-paid workers to the central state budget, a five-year freeze on new welfare charges on payrolls, and tax breaks for job-creating companies, as well as deregulation.

At the rhetorical level, France's new centre-right government insists on the need for the European Community, even the Gatt world trade organisation, to have social policies. But Mr Giraud says: "I am a liberal, and we don't want to put social policy handcuffs on ourselves, or others."

In domestic political terms, Mr Giraud, a member of the RPR Gaullist party, insists that he is in no way attacking France's "essential social achievements". Indeed, he says he would like to see stronger unions in France, and in the priority which he and Mr Balladur have given to "social dialogue", the unions "have a chance to reinforce themselves". He does not, for instance, like to alarm the unions by using the word "flexibility" too much.

But he clearly approves of the concept. In May he proposed the government should step in to help compensate workers who took pay cuts to avoid redundancies. He had to withdraw the idea when some companies were believed to be making false threats of job cuts to get the state to pay part of their pay cheques. However, his five-year plan contains a clever modification of something even more sensitive - France's minimum wage, the Smic, which many experts feel has helped price low-skilled workers out of the job market.

"We are not touching the structure of the Smic," says Mr Giraud. "To do that would needlessly stir up a confrontation." But the new law would allow companies to pay young workers below the Smic rate, if they devote most of the saving to training the lower-paid young. Another move would be to start schoolchildren on "pre-apprenticeships" from the age of 14, instead of delaying all vocational/manual training until they leave school at 16.

Giraud: wants stronger unions

France still has no fewer than 72 labour laws dating from 1936-37, and many of these need updating, says Mr Giraud. One of these is a 1937 law which, for bank employees, still decrees two consecutive days of rest. This means most banks cannot open on a Saturday without closing on a Monday - except for Credit Agricole, which is now France's largest commercial bank but before the war was a closed mutual association.

Another anomaly, common to all European countries, which Mr Giraud hopes he can settle is Sunday trading. The Virgin Megastore on the Champs Elysées has brought this issue to a head by defying the 1906 law against Sunday opening. Essentially, Mr Giraud is passing this buck to local prefectures, but with the clear indication that they should let shops in tourist spots open on Sundays.

"Against clandestine employment, I am totally inflexible," says Mr Giraud, complaining that companies which fail to give their workers proper pay and social protection "distort competition" against law-abiding companies.

But a subtler way of discouraging travail noir is the draft law's new experiment of "ticket-service". The idea is to encourage people into the provision of part-time services, such as running errands for the elderly, and being paid for these services in tickets bought at post offices. "There's nothing wrong with services," insists Mr Giraud, seeking to reverse his countrymen's tendency to think that only production counts.

Report predicts further rises for D-Mark

James Blitz on the likely effects of repaying Bundesbank for intervention

THE French franc, Danish krone and Belgian franc have weakened in recent weeks against the D-Mark, as currency dealers take the view that their central banks need to reduce short-term interest rates to stimulate economic growth.

But foreign exchange analysts believe these currencies could come under more pressure in the next few months as a result of their central banks' reserve management operations, in the wake of the recent crisis in the European exchange rate mechanism.

In a report published today, Idea, the market intelligence group, says reserve management should strengthen the D-Mark over the next few months.

The central banks of France, Denmark and Belgium need to buy D-Marks from the foreign exchange market to repay the Bundesbank for supporting their currencies through intervention during last month's ERM crisis.

Under ERM rules, the Bundesbank would need to be repaid within three months of the intervention, giving these central banks a repayment deadline of mid-November.

The central banks also need to build up their foreign exchange reserves if they are to regain control over short-term movements in their currencies' exchange rates. In France's case, these reserves were heavily depleted at the height of the crisis.

As they buy D-Marks and sell their own currencies, central banks will tend to have an impact on short-term movements in exchange rates. Foreign exchange dealers, therefore, have been wondering what impact this will have.

Idea calculates that there are likely to be some DM75bn (£30bn) of D-Mark purchases by European central banks over the next six months. "To place these flows in perspective, central banks are likely to effectively finance more than two years worth of German current account deficits in the next six months," says Mr Alan Ruskin, the report's author.

The report suggests that these operations put a cap on the value of the dollar against the D-Mark. But their impact on European currencies will depend on exactly how the central banks manage their reserve building operations.

Idea's report says the Bundesbank and the Bank of France could, between them, buy DM91bn of the German currency and sell FFr320bn (£36.6bn) of the French currency, in a move that would greatly strengthen the D-Mark's rate against the French franc.

But both central banks could diversify the operations, using other currencies to cap the rise in the D-Mark. Instead of buying DM91bn, they could, for example, buy $10bn (£6.5bn) of the US currency and DM76bn of the German. "The net effect is still very D-Mark positive," says Idea.

The report suggests the scope for central banks to recoup reserves without hurting their currencies will be far more limited than in previous crises. In the old ERM system, there was a propensity for the newly devalued currencies to move towards the top of their ERM bands after a realignment, on the expectation that the new bands would last. This time, the widening of the ERM bands and the expectation of interest rate cuts means the value of these currencies will weaken in any event.

The reserve transactions of the central banks could also be difficult to interpret if the French authorities take advantage of provisions to roll forward borrowings under the EC's very short-term financing facility.

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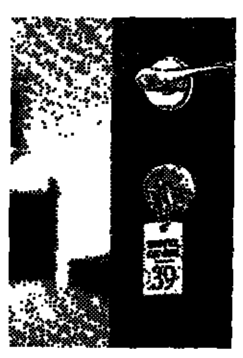
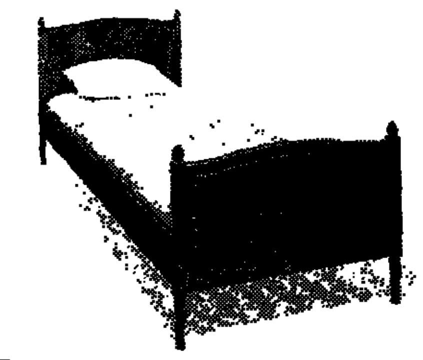


2. Here is the place he realised it.



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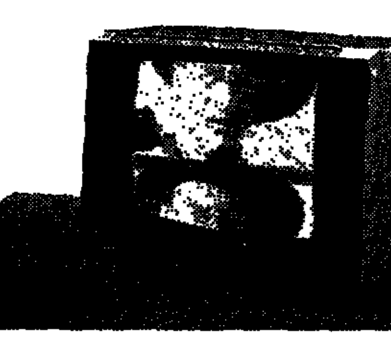

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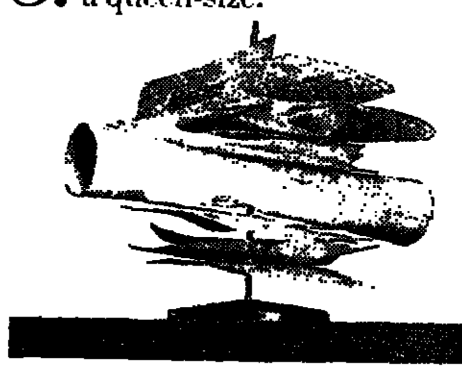
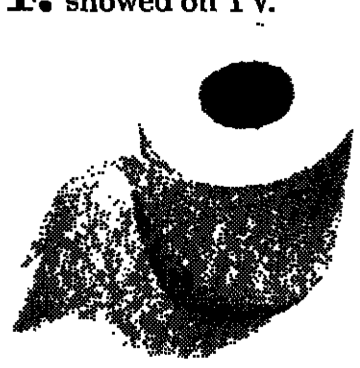


5. This is the important paper that wasn't delivered.



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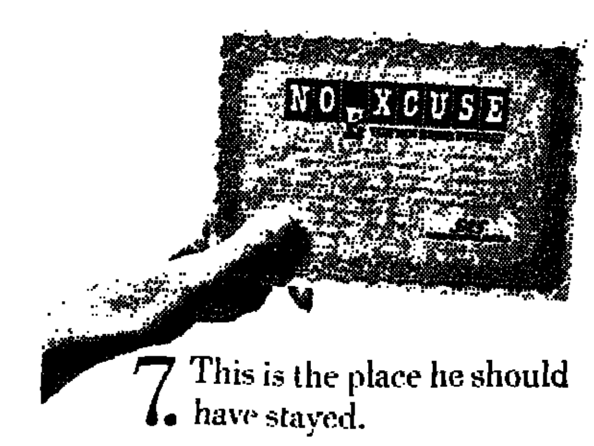

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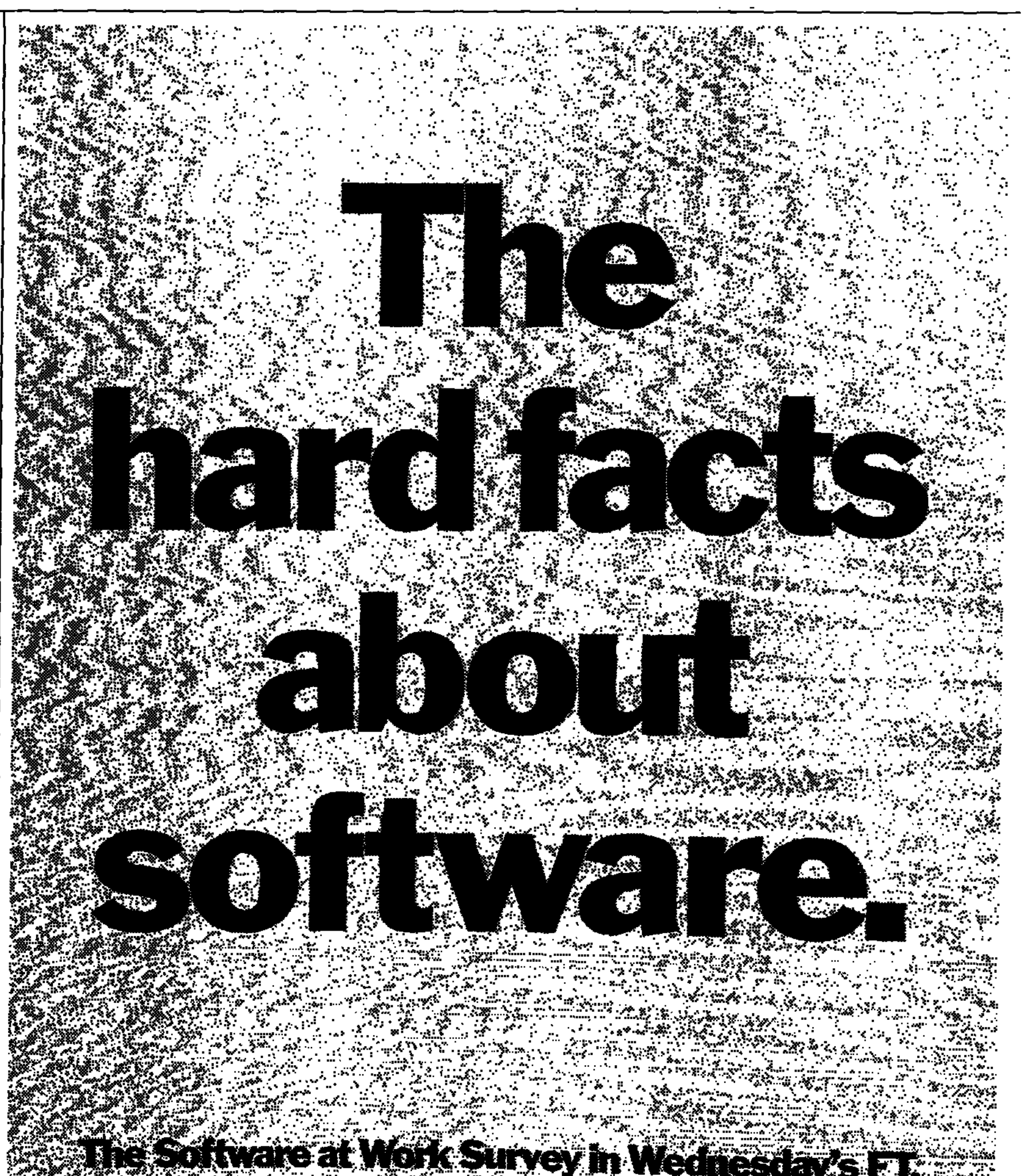

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Ericsson set to win Polish telecoms deal

By Christopher Bobinski in Warsaw

ERICSSON, the Swedish telecommunications company is expected to win a \$100m (£66m) defence telecommunications contract from Poland. It is the country's first such contract to be awarded to a supplier outside the former Warsaw Pact.

Mr Roman Czerwinski, a deputy industry and trade minister, said at the weekend at an arms exhibition in Kielce that the government would be taking the decision this week.

Under the contract Ericsson, which was competing with Marconi and Racal of the UK, would produce mobile radio network equipment under a joint venture with the Unimor factory in Gdansk. Deliveries are to be spread out until the year 2000.

Ericsson has so far failed to win big contracts to supply civilian telecommunications equipment to Poland. Under the country's World Bank-financed programme most of the telephone systems in the longer term are to come from three suppliers, of whom two, Alcatel of France and AT&T, the US group, have already been chosen. Siemens of Germany and Northern Telecom, the Canadian company, are competing to become the third supplier.

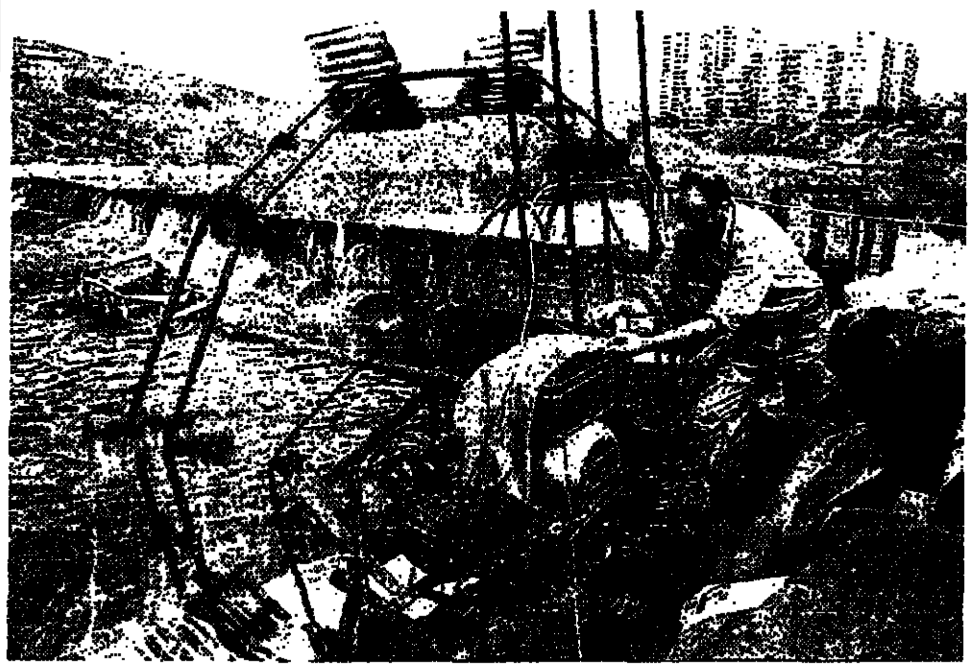
Unimor, which makes TV sets, would control two thirds of the equity in the proposed joint venture with Ericsson, involving a \$25m investment in new technology.

Meanwhile Bofors, another Swedish company, is renewing pre-war links with Huta Stalowa Wola, a large defence works in south eastern Poland which has for over a year been selling components for production of Bofors' 40mm gun system.

Talks are under way on a co-operation agreement to produce entire turrets for an armoured combat vehicle at the Polish works.

Bofors is also looking to the Mesko arms works to provide parts for its Bill anti-tank missile. Mesko already has a barter agreement with Thomson-CSF, the French arms group which is delivering artillery fuses to the plant and is also interested in co-operating in production of rockets and rocket systems.

The Kielce arms fair is the first of its kind in an area where around four-fifths of Poland's arms industry is located. The industry is suffering from a dearth of orders from the Polish army as well as a collapse of former Soviet bloc markets. However, British and US arms producers were conspicuous at Kielce by their absence.



Reuter

A Sarajevo resident adjusts the power on the hydro power plant he has built to supply his home with electricity and overcome the near-constant blackouts in the besieged city

Mostar evacuation delayed

THE evacuation of some 50 wounded Moslems from the south-west Bosnian city of Mostar was postponed yesterday for the second day running, Bosnian radio reported, Reuter reports from Sarajevo.

The radio reported yesterday evening that a general alert had been called in Mostar, where it said the besieged Moslem sector on the east bank of the Neretva river was being attacked by Croatian forces using multiple-rocket launchers.

Croatian radio said the evacuation from Mostar had been postponed until today because of weather conditions.

However, a Reuter journalist in Medjugorje, near Mostar, quoted members of the United Nations Spanish battalion deployed in the area as saying UN troops were awaiting the arrival of Bosnian helicopters that would fly the wounded to Moslem-held towns.

The evacuation from Mostar was arranged between Moslems and Croats in exchange for the airlifting of wounded Croat soldiers and civilians from Nova Bila in central Bosnia, where fierce fighting is raging between the two former allies.

GM-VW dispute under fire

THE HEADS of two German car companies at the weekend criticised the public row between rivals Volkswagen and US-based General Motors over alleged industrial espionage as being damaging to the industry generally, Reuter reports from Frankfurt.

Mr Bernd Pischetsrieder, chairman of BMW, told Die Welt newspaper: "There is much more at stake than a loss of image for the automotive industry. Industry leaders in general are coming under fire."

Separately, Mr Wendelin Wiedeking, chairman of German luxury sports car maker Porsche, criticised the public nature of the VW-GM dispute.

"It would be better for the whole of the automotive industry if the dispute between VW and Opel had remained in internal channels and not been fought in public," Mr Wiedeking told the Stuttgarter Zeitung newspaper on Saturday.

GM and its German subsidiary Adam Opel have accused Mr José Ignacio López de Arriortúa, VW's production chief, and other former GM managers of taking confidential documents from the US group when they switched to VW this year. Mr López and the others deny the charges.

Ukraine deal with Russia under attack

By John Lloyd in Moscow

OPPOSITION is growing to Ukraine's agreement to sell its half of the Black Sea Fleet, and to return its nuclear warheads, to Russia. Ukraine has thereby put itself into political crisis.

The agreement, announced by President Leonid Kravchuk and President Boris Yeltsin after talks on Friday, was denounced over the weekend by a Ukrainian minister, Mr Valery Shmarov. It was described by a deputy premier as "nothing short of a disaster" and by Mr Vyacheslav Chornovil, head of the nationalist opposition party, Rukh, as "high treason".

Mr Kravchuk himself partly defended, partly denied, his alleged agreement to the deal. General Konstantin Morozov, defence minister, said yesterday that no agreement on the sale of the Ukrainian fleet had yet been concluded. Mr Kravchuk stressed that details of both the sale of the fleet and the transfer of the warheads had to be worked out by joint commissions.

Mr Yeltsin said after the meeting that the cost of the fleet would be set against an estimated \$2.5bn which Kiev owes to Moscow for oil and gas supplies.

The Russian president, in a television interview on Saturday, rubbed the message home by saying that Ukraine's surrender of her share of the fleet – agreed to be split last year – was "forced but inevitable". The costs, he said, "will have to be reckoned up. But we have done our own reckoning already. We aren't losing by it, and we'll have our own fleet".

Mr Kravchuk, who has appeared in the past month to switch from a line generally hostile to Russia to one where he favours closer integration, now faces the hardest challenge of his political life.

Confronted with 40 per cent inflation, falling production and growing unrest in the industrial areas – especially in the Donbass coal and steel region – he must now garner support for a policy of allegiance with Russia, and a loss of some of the strongly-expressed independence whose spokesman he has been.

Inflation down but strong in Greece

By Kerin Hope in Athens

GREECE'S year-on-year inflation rate dropped to 14.6 per cent last month, from 15.7 per cent in July, raising hopes that the government's target of 12 per cent by December can be achieved.

Although the inflation rate has gradually declined from a peak of 16.4 per cent in March, it is still more than four times the European Community average.

Progress in reducing inflation has been slower than expected, partly because of the effects of price liberalisation in the services sector.

The Organisation for Economic Co-operation and Development points out, in a new report on the Greek economy, that "inflation expectations remain strong", despite a marked decline in both the public sector borrowing requirement and the current account deficit.

The report said exchange rate policy should be reformed by announcing in advance the depreciation rate of the drachma against other European currencies, so as to "reinforce confidence in the government's anti-inflation posture."

The report forecast that Greece's gross national product would grow by about 1 per cent this year, down from 1.25 per cent in 1992 but ahead of the European average.

However, it warned that the government could not afford to relax its stabilisation policy before an election due by next spring.

Revenues for the first eight months of 1993 fell well short of the budget target, despite the Finance Ministry's efforts to curb tax evasion and speed collection of tax arrears.

According to the national accounting office, revenues rose by 13.4 per cent against a budget forecast of 26.4 per cent.

Lira fall boosts Italian exports

By Robert Graham in Rome

THE INCREASED competitiveness of Italian exports, as a result of last September's lira devaluation, has been confirmed by statistics just published on trade for the first six months of 1993.

In this period, Italy's total exports rose 19 per cent. Within the EC, the increase was lower, at 11 per cent. This reflected both the depressed state of most European economies and fierce competition from other exporters, such as the UK, which have also seen currencies depreciate sharply.

Even so, with the EC absorbing almost 60 per cent of Italian exports, the impact on Italy's terms of trade was significant. More exports, combined with its recession-hit economy, ensured a sharp turnround in trade balance.

Istat, the national statistics institute, said Italy recorded a half-year overall surplus of L8,611bn (£3.6bn), against a L13,647bn deficit for the 1992 first half. The rise is reflected in an improved performance in all product sectors.

On a country basis, the most spectacular change has been in Italian-German trade, as a result of a 30 per cent devaluation of the lira against the D-mark. In the first half Italy recorded a surplus of L2,734bn with Germany, its main trading partner, compared to a deficit of L3,995bn during the equivalent period in 1992. Also, given a strong depreciation against the French franc, Italian exports moved from a L1,689bn deficit to a L970bn surplus.

In the case of the UK, the increase was substantial, but lower than those of Germany and France. The trade balance with the UK increased from a L238bn surplus to L1,453bn. The UK is Italy's third largest partner in the EC.

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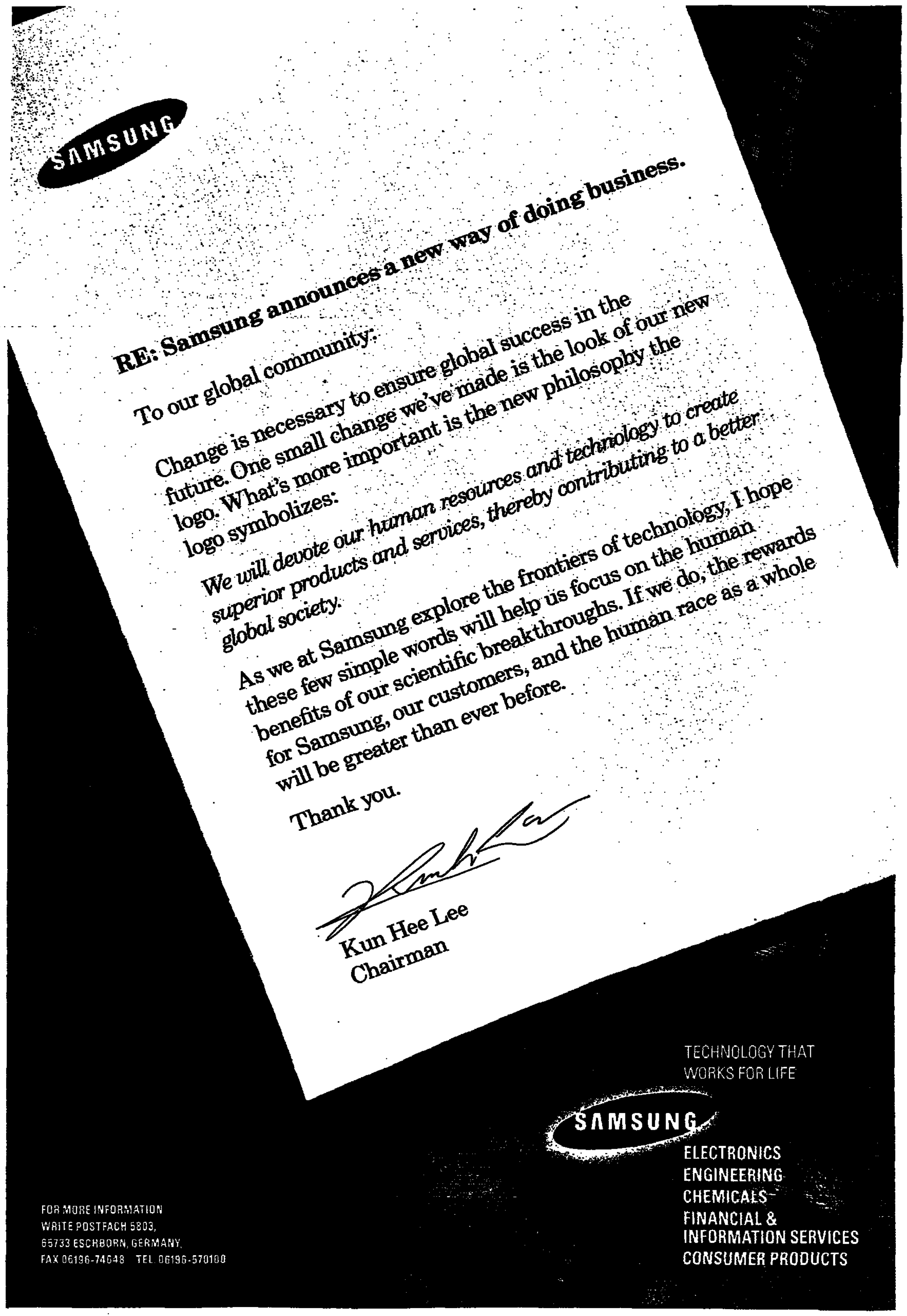

Arafat steps up drive to win Arab backing

By Lamis Andoni in Amman and Mark Nicholson in London

MR YASSIR Arafat, Palestine Liberation Organisation chairman, is intensifying efforts to win Arab support for his outline deal with Israel, and to reach an accommodation with Palestinian opposition to the plan, before he signs the historic accord.

Mr Arafat at the weekend secured backing from the leaders of the mainstream Fatah faction in the PLO and won full public support from King Hussein, the Jordanian ruler, who had demurred at the pact, largely in anger at having been left out of its formulation.

Yesterday, the Palestinian leader arrived in Damascus for the most important leg of his present tour of Arab capitals.

In Syria, Mr Arafat will try to talk President Hafez al-Assad out of any reservations he may have over the outline agreement on Palestinian self-rule, and will address opposition to it among the radical Palestinian factions based in Damascus.

Mr Assad has still made no formal comment on the proposed agreement, although diplomats suggest that the Syrian leader was affronted by Mr Arafat's refusal to consult Damascus during the secret negotiations leading to agreement with Israel.

The Syrian leader has always sought to exercise strong influence over the pace and course of the Arab partners' negotiations with Israel, and the surprise announcement of a separate PLO deal with Israel will have come as a severe shock.

But Mr Assad's approval could also be vital to softening resistance within the 10 Damascus-based Palestinian opposition groups to the deal – something which in turn would ease Mr Arafat's task of pushing the deal through the PLO's broader decision-making bodies.

Israeli and US officials are eager to see the outline accord signed as soon as September 13, but Mr Arafat seems in no rush to conclude, nor even to win formal Israeli official recognition of the PLO, before he has secured strong Arab backing and an accommodation with Palestinian opposition groups.

Broadening Palestinian backing is particularly important since Mr Arafat's own Fatah faction stipulated, after three days of talks last week, that the PLO-Israel deal must be ratified by the PLO central council, the 100-strong body which represents most strands within the Palestinian movement. A meeting of the group is likely to be called within weeks.

Mr Arafat still has to contend with intense debate within the PLO over how to accommodate Israeli demands without undermining the credibility and legitimacy of the organisation among the Palestinian people.

Some PLO officials argue that to meet Israel's terms would require modification of the 1968 PLO charter, articles of which in essence call for the destruction of Israel. But Mr Arafat is likely to try to avoid this, since any such amendments would require convening the 400-member Palestine National Council, the movement's parliament-in-exile, which would provide a potent forum for opposition to the outline deal with Israel.

Instead, Mr Arafat is working on a draft statement which would trigger Israeli recognition of the PLO, basing this on the argument that the charter has been superseded by events and by previous Palestinian resolutions accepting the existence of Israel.

Milk, honey, razor wire

Julian Ozanne and Andrew Gowers in an unlikely Promised Land

IT TAKES imagination to conceive of the Gaza Strip – 360 square kilometres of desert dotted with squalid Palestinian refugee camps and shanty towns – as the Promised Land. But that is what it has become for 5,000 Jewish settlers who live there in red-tiled homes surrounded by well-tended lawns.

Mediterranean waves break on deserted beaches, and fields full of ripening vegetables and high-tech glasshouses sprout from the parched sand dunes. A horse ranch offers pony-trekking for tourists, and Jewish settlers say they never lock their homes and caravans. The Palm Beach Hotel, which caters for ultra-orthodox Jews, even has a coffee shop called Milk and Honey.

PLO supporters backing the peace plan brandish pictures of Yassir Arafat at a West Bank refugee camp yesterday
Picture: Reuter

The seeming idyllic life enjoyed by Jewish pioneers who have settled beyond the "Green Line" dividing Jews and Arabs is slightly surreal, however. The coils of razor-wire and electrified fences, and the revolvers on the hips of many settlers, serve as reminders of how tenuous life has been in the settlement of Gush Katif, surrounded by 800,000 Palestinians.

Now, under a plan for Palestinian self-rule agreed in principle by Israel and the Palestine Liberation Organisation, the settlers of Gaza face an uncertain future. Many see history repeating itself. They predict that they will be sacrificed in the end by the government – just as the settlers in the Egyptian Sinai desert were when Israel, in 1978, handed back the land it had captured in 1967. (At least 70 of the families who made a last stand of civil disobedience at the Yamit settlement in the Sinai, before being forcibly evacuated by Israeli troops, now live in Gush Katif.)

"Morale could drop and people will leave, so the government hopes it will have less of a problem down the road getting the rest of the Jews out," said Mr Yosef Shomron, an American who settled in Gush Katif nine months ago, for a mixture of ideological and economic reasons.

"We are very angry and upset by the plan. There will be resistance to leaving, like in Yamit, and one or two guys might go and shoot – but Jews won't fight against other Jews. There will be no cult of violence," he said, sitting outside his prefabricated home.

Mr Shomron supports the Kach movement, which wants to transfer all the 1.9m Palestinians out of the occupied territories. Others oppose the self-rule plan for religious reasons. They believe that Gaza, Judea and Samaria (otherwise called the West Bank) are part of the biblical Eretz Yisrael (land of Israel).

"There will be no peace. Arab will kill Arab and they will turn their violence against the Jewish state," said Mrs Roberta Bienenfeld, a translator who has lived here for 12 years. "God is taking his revenge against the state of Israel and all its unbelievers. We hope the plan won't go through so we can keep our land that God gave us."

Some settlers are more pragmatic. Mr Michael Goldschmidt, an immigrant from South Africa and one of the founders of Gush Katif, has invested more than Shk1m over 16 years in an agricultural business growing cherry tomatoes and flower bulbs in greenhouses for export to the US and Europe. He said he would be prepared to leave if the agreement with Palestinians delivered "real peace to Israel". "We are very happy here but we will have to give up one day," he said, watching a group of Palestinian workers wash his flower bulbs.

But even more moderate settlers, such as Mr Goldschmidt, are bewildered by the agreement: "We built everything here out of sand. It was nothing before we came. Why do we have to give it up? We fought for it and captured it. Israel is a small country – there is no gold here, so why do the Arabs want our land? We have nowhere else to go. But we have to give it back because we are weak and we are Jews."

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Debt rescheduling 'urgent' for Algeria

By Francis Ghilès

MR Mourad Benhachenhou, a strong believer in the need to reschedule Algeria's $26bn (£17bn) foreign debt, was appointed at the weekend as finance minister in the Algerian government of Mr Redha Malek, named prime minister two weeks ago.

Mr Benhachenhou was Finance Ministry secretary-general in the 1970s and Algerian representative at the World Bank. After eight years there, he was sacked in the spring of 1991 and conducted a vitriolic campaign in the Algerian press against the team which, around Mr Mouloud Hamrouche, then prime minister, had launched radical reforms in 1989-1991 aimed at freeing the management of the country's economy.

The new minister recently wrote: "Rescheduling becomes urgent, of little cost if you compare it to the alternative of total economic collapse threatening our country if the self-imposed policy of strangulation continues."

Talk of rescheduling the country's foreign debt has long been a taboo in Algeria. Seeking an accommodation with the International Monetary Fund and leading creditors such as France is the most urgent task confronting the new government – annual repayment of principal and interest payments absorb three quarters of Algeria oil and gas export income.

Mr Benhachenhou is one of two key appointees to the new government after the sacking of Mr Belaid Abdessalam as prime minister. Colonel Selim Saadi, a respected former military commander and agriculture minister, takes on the interior portfolio. He is a close political friend of Mr Malek.

General Lamine Zeroual retains the defence portfolio. The new minister of energy is the former deputy finance minister, Mr Ahmed Ben Bitour, while the foreign portfolio goes to Mr Mohamed Salah Dembri, a diplomat and former professor of French literature.

Nigerians killed in Somalia

SEVEN Nigerian peace-keeping troops with the UN and at least 15 Somalis, some of them women and children, were killed yesterday when a patrol tried to shoot its way free of gunmen loyal to the Somali warlord General Mohamed Farah Aideed, Reuter reports from Mogadishu.

Somali gunmen also captured two Nigerian peacekeepers in the worst attack on the 25,000-strong UN army in Somalia since August 8, when four US troops were killed in an ambush.

The Nigerians, who had been surrounded by angry Somalis along a city road, were killed before they could retreat, residents said. Nearby Italian other UN troops were reported as having been prevented from helping them by burning barricades and mobs.

The latest attack raised the UN death toll to 46 since June 5, when Gen Aideed's supporters killed 24 Pakistani UN troops at the start of a campaign against UN control of Somalia's rehabilitation.

Strikes paralyse Malawi

A WAVE of public sector strikes has brought ministries, hospitals and airports to a standstill in Malawi. Post office and telecommunications workers are threatening to join the dispute this week, writes Nicholas Young in Lilongwe.

Civil servants demanding wage rises of more than 100 per cent have been on strike since Thursday, and Lilongwe airport remains closed after action by traffic controllers.

The government claims to have a settlement with health workers, but clinical officers at Blantyre's Queen Elizabeth Hospital say they are treating only emergency cases, and hospital administrators are in dispute with management.

Popular expectations have been raised by the result of the referendum in June on Malawi's constitutional future. A majority voted in favour of a multi-party system of government. President Hastings Banda's Malawi Congress party, in power for 28 years, is negotiating with opposition groups a general election timetable.

Clinton goes campaigning on all fronts

President is trying to make up for time lost on the budget battle, writes George Graham

PRESIDENT Bill Clinton's first 100 days in office bogged down disastrously in the struggle to pass his budget. Now he has set himself an ambitious autumn agenda to make up for lost time, and even his most resolute supporters are wondering if he has the capacity to carry it out.

Congress returns to Washington this week to wrap up the unfinished business of its last session – the confirmation of Dr Joycelyn Elders to be surgeon general, and a new national service programme – and already Mr Clinton is preparing to put more indigestible meat on its plate.

Tomorrow, Vice-President Al Gore will unveil the results of his review of the federal government's management structures and procurement processes, a report dubbed "Reinventing Government" which is expected to produce substantial savings as well as civil service job cuts.

Next week, the White House is expected to submit to congress legislation implementing the North American Free Trade Agreement with Canada and Mexico, raising the curtain on a battle that has already bitterly divided the Democratic party.

Just one week later, probably on September 22, Mr Clinton will announce the outlines of his proposals for reforming the US health care system – a massive undertaking that many politicians believe would on its own amply occupy a whole presidential term.

And foreign affairs may demand Mr Clinton's attention, with the possibility of a Middle East peace agreement, the likelihood of continued grief in Bosnia, and the challenge of his first speech to the United Nations general assembly.

Mr Clinton on Saturday defended his determination to advance on all fronts at once.

"Health security, expanded trade and reinventing government really aren't separate goals. They are part of a comprehensive strategy to promote long-term growth, increased incomes, more jobs and a stronger American community," he said in his weekly radio speech. "These pieces must all fit together."

But critics say that by trying to play too many tunes at once, Mr Clinton may be ignoring a lesson most Americans learn before they are six from "Sesame Street", the educational television programme: you've got to put down the ducky if you want to play the saxophone.

The Gore report offers the best prospects of immediate dividends.

White House officials say around two-thirds of Mr Gore's proposals can be implemented by executive order, without going through Congress.

But elements which would require legislation – such as a proposal to move the federal government to budgeting over two years rather than one, as 21 states already do – are unlikely to make any headway in Congress.

> Critics say the president is attempting to play too many tunes at once

Perhaps the greatest danger of the Gore report is excessive expectations.

The Washington Post reported yesterday that Mr Gore would aim for savings of $108bn over five years, including $22bn from simplification of government purchasing rules. It also said 252,000 civil service jobs would be eliminated, with "buy-out" incentives offered to encourage voluntary departures.

Some administration officials say, however, that Mr Gore wants to avoid overreaching and will claim much smaller savings, as well as warning that it will take years to implement all of his proposals.

The review is expected to recommend halving middle management, aiming for a ratio of one supervisor to every 15 workers, instead of the current ratio of one to seven.

Nafta is a much more controversial element of Mr Clinton's autumn agenda. Many of his fellow Democrats hotly oppose the treaty, which they believe will lead to the transfer of US jobs to Mexico.

Even those who support Nafta in the abstract wonder why Mr Clinton should waste political capital fighting for a treaty negotiated by his predecessor, alienating in the process important Democratic constituencies such as the trade unions.

Mr Robert Matsui, the leading Democratic cheerleader for Nafta in the House of Representatives, complains that even his wife, who heads White House efforts to rally grass-roots support for the treaty, will not say Nafta is her number one priority. That number one priority for most Democrats, including the White House, is healthcare.

The reform may be controversial. Many Democrats still favour a national system like Canada's rather than the managed competition espoused by Mr Clinton, under which employers would be encouraged to group themselves in purchasing co-operatives in the hope that they will be able to negotiate cheaper and more comprehensive insurance.

Elements of the plan are likely to face fierce opposition from businesses, trade unions and industry lobbies, but health care reform is absolutely essential to Mr Clinton's programme – the country demands it – and he should receive support in Congress not just from the core of his fellow Democrats but from many Republicans.

The biggest doubt about Mr Clinton's ability to reach these separate goals stems from the political style he displayed in his first six months. His willingness to compromise if opposed has encouraged most members of Congress – not just political heavyweights like Senator Sam Nunn of Georgia but novices like Senator Patty Murray of Washington – to believe they can safely humiliate the president in any trial of political wills.

That belief may now be impossible to dispel, and will handicap Mr Clinton when the time comes to fight for his proposals.

Reuter

Bill Clinton: determined

Japan set to lower interest rates

By Robert Thomson in Tokyo

THE BANK of Japan is on the verge of reducing official interest rates in an attempt to stimulate an ailing economy and restore consumer and corporate confidence.

After an apparent leak from the central bank, Japanese media widely reported yesterday that the official discount rate (ODR) would this month be cut from 2.5 per cent to 2 per cent, a post-war low.

The bank is scheduled to release its quarterly survey of business, the *tankan*, this week, and bank officials are concerned that a lack of confidence in the economy is prompting companies to cut capital investment targets.

Mr Yasushi Mieno, the bank's governor, is known to be reluctant to set a new ODR low, but the recent appreciation of the yen has further undermined corporate confidence and delayed a recovery.

Japan's new coalition government has been urged by business groups to cut income taxes or the ODR to stimulate the economy, but the finance ministry has resisted a tax cut, arguing that revenues have fallen sharply in the past year.

The seven coalition parties are divided over interest rate policy. Some members of the Social Democratic party, formerly the Japan Socialist party, argue that a fall in rates *will hurt old people dependent* on savings for income.

There has also been concern in the government that another rate cut, the seventh in two years, would lead to a surge in asset prices and unfairly benefit banks, which are likely to profit from the rate spread.

But the government is under pressure from trading partners to prove that it is attempting to rekindle growth. The *current account surplus has* expanded for 28 consecutive months, and Mr Morihiro Hosokawa, prime minister, would like to take along a rate cut or some other initiative when he visits the US late this month.

The lack of consumer confidence highlighted by falling retail sales was also reflected in a survey released yesterday by the prime minister's office. Only 4.8 per cent of 10,000 people surveyed thought their life had improved over the past year, down from 7.3 per cent.

While the weakening economy has undermined consumer confidence, the annual survey found that an accompanying reduction in overtime *led to a fall from 39.9 per cent to* 37.9 per cent in respondents who felt that they had no spare time.

NEWS IN BRIEF

GDP up 10.4% in Malaysia

MALAYSIA'S gross domestic product grew by 10.4 per cent in the second quarter, writes Kieran Cooke in Kuala Lumpur. This compares with 9.6 per cent in the same period last year and 7.6 in the first quarter, according to the central bank. Growth for the year could now average out at more than 8 per cent, analysts think.

Manufacturing output rose 17.4 per cent in the second quarter. Agricultural production went up 8.1 per cent, mainly thanks to palm oil.

US textiles demand angers China

China has said US demands for stricter penalties in a new textiles agreement violate bilateral and international trade pacts, AP reports from Beijing.

Ms Jennifer Hillman, of the US trade representative's office, said on Saturday that China must crack down on transshipment of its textiles through third countries before a new agreement could be reached. Otherwise, the US could limit textile imports unilaterally whenever Chinese goods were found to cause market disruptions.

Argentina records zero inflation

Argentina's inflation rate fell to zero in August, its lowest level in 25 years, writes John Barham in Buenos Aires. Inflation so far this year has fallen to 5.8 per cent – almost a third less than in *the first eight months of last year – and official forecasts put next* year's inflation rate at 4-5 per cent.

New banks to open in Mexico

Mexico has approved the charters of five new commercial banks in an attempt to increase competition in the nation's recently *privatised banking system*, writes David Luhnow in Mexico City. The new banks are Banco Inbursa, Banco Promotor del Norte, Banco Interacciones, Banco Quadrum and Banco Mifel. All except Banco Promotor del Norte are eyeing the nationwide market.

California plans earlier primary ballots

By George Graham in Washington

CALIFORNIA plans to hold its presidential primary ballot *earlier in the year, heralding a* profound change in the shape of future US elections.

The state senate last week voted for a bill that would move the primary to March from June, and both the *assembly and Governor Pete* Wilson are expected to give their approval this week.

Although by far the most populous state, California has had relatively little impact on *the selection of presidential* candidates in recent years, because its primary has been one of the last to take place, usually after each party already has a clear winner.

"The truth is California has *essentially been left out of the* presidential nominating process since 1972. It's the biggest, most diverse and arguably the most important state, and it would certainly diminish *anything else happening in* March," said Mr Bill Carrick, a Democratic political strategist who has worked on both presidential and Californian campaigns.

The March 26 date chosen *for 1996 would probably still* put California's primary later than the Super Tuesday cluster of southern states, and later than Illinois and Michigan, but before several important *states such as New York*, Pennsylvania and Ohio.

"Two weeks after Super Tuesday and one week before New York – it'll be big," said one California state Republican party official.

Mr Bob Mulholland, of the state Democratic party, believes other states will follow California's lead and hold their primaries earlier, effectively compressing the entire *nominating process into three* months.

"If in 1996 we have a primary season running from February to early April, I think that's good for everybody, and especially the contributors," he said.

US Iraq arms probe will go on despite trial move

By Alan Friedman in New York

THE CLINTON administration *is moving ahead with a broad*ened investigation of the US role in Iraq's arms procurement network and has not ruled out the possibility of naming a special prosecutor, a senior Justice Department offi*cial said at the weekend.*

Mr John Hogan, a special assistant to Miss Janet Reno, the US attorney-general, said that last week's decision to cancel the Iraqi loans trial involving the Atlanta branch *of Italy's Banca Nazionale del* Lavoro (BNL) should not be seen as ending US efforts to probe arms-to-Iraq charges.

"My investigation is an ongoing one dealing with the Iraqi procurement network and *concerning anyone involved*, whether in goverment or out, whether a current or former official," he said. Mr Hogan, who also heads the Clinton administration's inter-agency BNL task force, stressed that *recent US media reports sug*gesting a special prosecutor had been ruled out were wrong. He said: "No determination has been made yet."

Democratic members of Congress last year demanded the *naming of a special prosecutor* to examine allegations that Bush administration officials had been involved in criminal wrong-doing in connection with US policies towards Iraq. The Bush administration *rejected the idea shortly before* leaving office, but President Bill Clinton promised that Miss Reno would re-evaluate the charges.

Last Thursday, an agreement was reached allowing Mr *Christopher Drogoul, the for*mer BNL Atlanta manager, to plead guilty to only three of the original 347 charges against him.

Mr Drogoul, who made $5bn (£3.3bn) of loans that helped to *finance Iraq's nuclear and* chemical weapons programmes, had been due to stand trial this week.

Sihanouk may return to throne

By Victor Mallet in Bangkok

PRINCE Norodom Sihanouk, *Cambodian head of state, may* be reinstated as king under a constitution to be adopted next week. After a weekend of confusion, palace officials yesterday released a faxed letter from Prince Sihanouk to his *son suggesting he might be* persuaded to ascend the throne.

Prince Sihanouk yesterday also abruptly reversed a decision made only hours earlier to sever ties with the United *Nations Transitional Authority* in Cambodia (Untac).

UN officials and western diplomats are not only exasperated by his frequent changes of direction, but concerned that the new constitution being *drafted by parliament after* UN-organised elections in May will not do enough to uphold democracy and human rights.

Before his overthrow in a *coup d'état* in 1970, Prince Sihanouk was known for his pater*nalism and cavalier treatment* of democratic institutions. His friendships with the leaders of North Korea and China, where he spends much time, have not improved his international reputation.

He is now in Beijing, and has invited the Untac chief, Mr Yasushi Akashi, to meet him there on Friday.

Missing the unemployment-deregulation link

THE DEBATE about how to tackle high unemployment has taken a peculiar turn in recent months. The British government, with the help of the European Commission, *has appeared able to characterise* persistent unemployment as a peculiarly continental European problem; a product of sclerotic and over-regulated labour markets. The US and the UK are thus absolved from continuing blame. Yes, unemployment in these countries was higher in the 1980s than in previous *decades*. But by embracing an agenda of labour market deregulation, or "flexibility", they claim to have found the solution.

This is certainly the approach that the UK plans to take both in Europe and in the run-up to President Bill Clinton's *autumn unemployment* summit. Its recent submission to the EC's review on competitiveness in Europe stated: "There has been an upward trend in EC unemployment from cycle to cycle since the late 1960s and an increasing proportion of long-term unemployed people. This is evidence of *inflexibility* in, and over-regulation of, labour markets. These factors deter employers from taking on new employees and damage job creation."

But the reality of the Anglo-Saxon labour market performance in the 1980s is different from this rhetoric. First, while the record of the US economy in terms of creating jobs has been superior to that of continental Europe, the UK's record has been less impressive. Over the period 1982-90, UK employment grew by an average 1.5 per cent a year, ahead of 0.9 per cent in the EC as a whole, although behind the US rate of 2.1 per cent a year.

But Britain's peculiarly turbulent recent history has destroyed the employment gains that deregulation might have delivered, as the charts show. Both the US and French economies have steadily been adding new jobs since 1978, although at a much slower pace in France. The UK, by contrast, has experienced an employment rollercoaster: between 1979 and 1983, employment fell by 1.4m; the Lawson boom then replaced these lost jobs and added a net 1.9m more; but since 1990, the subsequent recession has removed the bulk of the gains, leaving a net addition since 1978 of less than 500,000: 200,000 fewer than France. Over the period 1979-92, US employment grew by 19 per cent, French employment by 3 per cent and UK employment by 0.4 per cent.

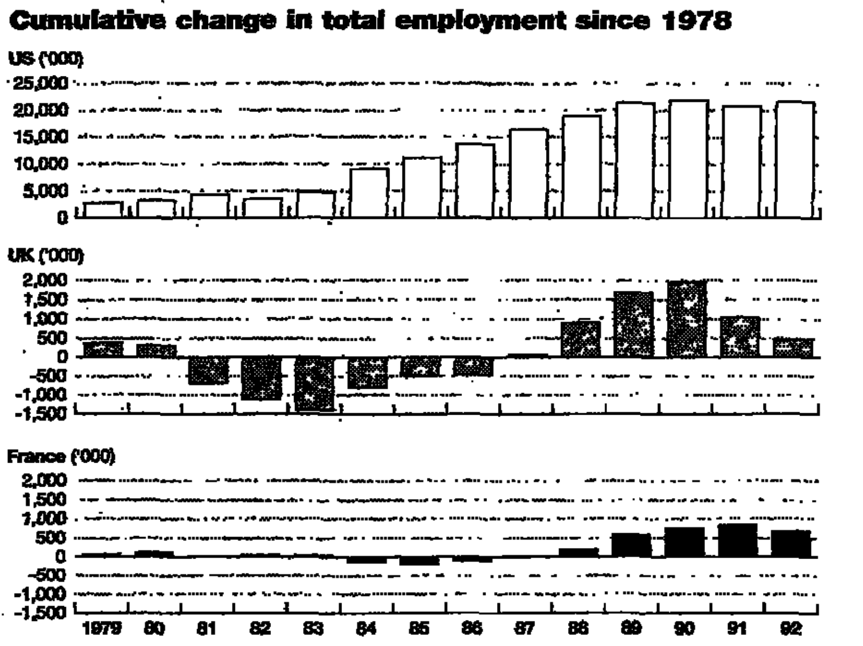
More important, this employment growth has co-existed with persistently lower male employment in both Anglo-Saxon countries. On average over the period 1982-90, and thus excluding the effects of either British recession, 9.7 per cent of British workers were unemployed according to the OECD, higher than in both the US and France. But rising unemployment is only part of the story. Male labour force participation in the US and UK has dropped sharply over the past two decades as many have shifted from being "unemployed" to "economically inactive". The common characteristic of these two groups is that they do not have jobs; all can be classified as "non-employed". On average in the 1980s, 12 per cent of US males aged 25-54, and 14.9 per cent of UK prime-age males were out of work compared to only 9.1 per cent in France.

The Anglo-Saxon economies have achieved one notable success: by encouraging the creation of relatively low-wage service sector jobs which the male non-employed have shunned, they have delivered many more employment opportunities for women who want to enter the labour market. Over the period 1983-90, female employment in Britain grew by 22 per cent compared to 8 per cent in France. The proportion of women of working age who have jobs rose to nearly 60 per cent in both Britain and the US on average in the 1980s, compared with less than 50 per cent in France and Germany.

But neither the US nor the UK experience suggests that a deregulated, more "flexible", labour market means lower male non-employment. So the British government's willingness to sing the praises of Anglo-Saxon style labour market deregulation seems misplaced.

Edward Balls

Cumulative change in total employment since 1978



Source: OECD, FT calculations

INTERNATIONAL ECONOMIC INDICATORS: **PRODUCTION AND EMPLOYMENT**

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

	US Retail sales volume	US Industrial production	US Unemployment rate	US Vacancy rate indicator	US Composite leading indicator	Japan Retail sales volume	Japan Industrial production	Japan Unemployment rate	Japan Vacancy rate indicator	Japan Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.2	100.0	100.0	2.8	100.0	96.2
1986	105.5	100.9	6.9	98.0	107.0	106.5	99.7	2.8	94.3	105.3
1987	108.4	106.0	6.1	105.5	108.5	113.8	103.1	2.9	106.3	115.4
1988	112.1	110.7	5.4	106.1	112.6	122.8	112.9	2.5	135.9	122.6
1989	114.6	112.4	5.2	99.3	111.0	132.8	119.9	2.2	147.0	126.0
1990	115.0	112.4	5.4	84.5	106.9	142.0	125.5	2.1	149.8	123.9
1991	112.7	110.3	6.7	82.0	112.3	145.0	128.4	2.1	144.2	122.3
1992	117.7	112.9	7.3	60.5	117.4	140.3	120.6	2.2	124.2	122.4
2nd qtr.1992	2.6	2.8	7.4	60.5	113.8	-3.5	-6.2	2.1	127.1	121.5
3rd qtr.1992	4.0	1.7	7.5	60.1	114.5	-3.8	-6.2	2.2	121.1	122.0
4th qtr.1992	7.0	3.2	7.2	61.3	117.4	-5.0	-7.7	2.3	115.3	122.4
1st qtr.1993	3.3	4.4	6.9	62.2	117.6	-5.8	-5.1	2.3	115.1	125.7
2nd qtr.1993		3.7	6.9	63.7	116.9		-4.3			
June 1992	2.3	1.5	7.6	60.7	113.8	-6.5	-3.9	2.1	126.2	121.5
July	3.0	2.2	7.5	59.9	114.0	-1.0	-6.4	2.2	122.7	121.4
August	4.4	1.9	7.5	61.2	114.0	-4.8	-8.1	2.2	119.5	121.5
September	4.8	0.9	7.4	59.3	114.5	-5.4	-4.2	2.2	121.1	122.0
October	6.6	2.3	7.3	60.6	115.5	-1.8	-8.7	2.3	116.8	122.3
November	6.8	3.2	7.2	62.4	117.1	-5.7	-8.6	2.3	110.6	122.2
December	7.7	4.0	7.2	62.3	117.4	-7.4	-7.8	2.4	118.6	122.4
January 1993	4.3	4.6	7.0	60.4	118.2	-3.5	-7.6	2.3	109.5	123.2
February	2.6	4.4	6.9	63.5	117.8	-5.9	-5.8	2.3	112.6	124.1
March	2.7	4.3	6.9	62.8	117.6	-8.2	-2.0	2.3	123.1	125.7
April	4.1	3.9	6.9	62.9	116.7		-4.1	2.3	109.0	126.9
May	3.6	3.3	6.8	65.0	116.7		-4.2	2.5	102.1	127.3
June		4.0	6.9	63.1	116.9		-4.6			
July		3.6					-4.6			

	Germany Retail sales volume	Germany Industrial production	Germany Unemployment rate	Germany Vacancy rate indicator	Germany Composite leading indicator	France Retail sales volume	France Industrial production	France Unemployment rate	France Vacancy rate indicator	France Composite leading indicator
1985	100.0	100.0	7.1	100.0	105.1	100.0	100.0	10.3	100.0	102.1
1986	103.4	102.2	6.4	136.4	105.0	102.4	101.1	10.4	107.2	109.2
1987	107.4	102.6	6.2	149.4	106.1	104.5	103.1	10.5	117.7	108.6
1988	110.5	106.3	6.2	164.8	112.2	107.9	107.3	10.0	134.9	113.7
1989	114.1	111.4	5.6	219.5	115.1	109.5	111.3	9.4	161.1	113.5
1990	123.5	117.2	4.9	261.0	115.8	110.1	112.9	8.9	166.0	108.3
1991	130.5	120.7	4.4	270.7	113.1	109.7	113.2	9.5	130.0	109.5
1992	127.7	119.1	4.6	259.6	107.0	108.9	113.1	10.4	110.6	107.4
2nd qtr.1992	-4.5	-1.0	4.7	271.4	112.1	-0.2	0.7	10.3	108.4	109.8
3rd qtr.1992	-2.0	-1.3	4.8	258.7	109.6	-0.4	-0.2	10.4	110.5	108.7
4th qtr.1992	1.0	-4.6	5.1	233.7	107.1	-1.4	-2.3	10.7	102.3	107.4
1st qtr.1993	-4.7	-9.8	5.5	210.9	107.4	-0.1	-3.5	11.0	87.1	105.3
2nd qtr.1993	-4.2	-8.3		206.8	110.3	1.0	-4.2			105.7
June 1992	-6.3	-3.4	4.7	267.4	112.1	-1.6	0.3	10.4	115.9	109.8
July	-4.6	-2.2	4.8	262.8	111.6	-2.6	-0.6	10.4	112.0	108.6
August	-1.3	-0.7	4.8	260.3	111.0	-0.3	-0.6	10.4	111.7	108.3
September	-0.2	-1.0	4.9	252.2	109.6	1.9	0.5	10.5	107.8	108.7
October	-2.8	-3.6	5.0	243.4	108.6	0.1	0.4	10.6	105.9	108.6
November	1.0	-5.8	5.1	232.8	107.5	-5.2	-3.3	10.7	102.5	108.0
December	4.9	-4.3	5.2	223.9	107.1	1.0	-4.0	10.9	98.8	107.4
January 1993	-7.5	-9.1	5.4	214.1	106.9	-0.1	-5.2	10.9	97.5	106.7
February	-4.7	-11.8	5.5	210.1	106.9	-4.0	-2.5	11.0	97.1	106.1
March	-2.0	-8.5	5.7	208.4	107.4	4.1	-3.0	11.2	96.5	105.3
April	-2.4	-9.0	5.8	209.2	107.9	0.8	-5.1	11.4	95.4	106.0
May	-6.0	-8.2	5.9	206.0	108.8	-3.4	-3.5	11.5	89.6	106.8
June	-4.1	-6.6		205.2	110.3	5.6	-4.0			105.7
July										

	Italy Retail sales volume	Italy Industrial production	Italy Unemployment rate	Italy Composite leading indicator	UK Retail sales volume	UK Industrial production	UK Unemployment rate	UK Vacancy rate indicator	UK Composite leading indicator	
1985	100.0	100.0	9.6	104.0	100.0	100.0	11.2	100.0	101.7	1985
1986	106.6	104.1	10.4	110.9	105.2	102.4	11.2	116.1	104.9	1986
1987	112.1	106.8	10.9	113.0	110.7	105.7	10.3	141.2	109.1	1987
1988	108.0	114.2	10.9	118.0	117.8	109.5	8.6	144.3	107.2	1988
1989	116.9	118.7	10.9	116.1	120.1	109.9	7.2	124.7	104.8	1989
1990	114.3	118.0	10.3	112.3	121.1	109.3	6.8	98.1	102.6	1990
1991	110.8	115.4	9.8	115.2	119.6	106.1	8.7	68.6	106.3	1991
1992	116.3	113.6	9.8	111.4	120.4	105.8	9.9	70.4	110.5	1992
2nd qtr.1992	9.3	-0.7	10.0	112.7	1.3	-0.2	9.7	69.5	109.3	2nd qtr.1992
3rd qtr.1992	2.9	-2.1	10.1	111.3	0.6	-0.3	10.1	69.9	108.4	3rd qtr.1992
4th qtr.1992	2.7	-3.8	9.3	111.4	1.6	0.7	10.4	71.5	110.5	4th qtr.1992
1st qtr.1993		-4.3	9.1	114.1	3.3	1.5	10.6	73.5	114.4	1st qtr.1993
2nd qtr.1993		-4.0			3.1	2.8	10.4	74.1	114.5	2nd qtr.1993
June 1992	-4.7	-3.8	n.a.	112.7	0.5	-2.4	9.8	69.0	109.3	1992 June
July	2.3	-0.2	n.a.	112.3	-0.9	-1.3	10.0	71.6	108.7	July
August	1.3	-1.8	n.a.	111.7	1.0	0.2	10.1	70.7	108.3	August
September	5.1	-4.4	n.a.	111.3	2.0	0.1	10.2	67.3	108.4	September
October	2.5	-1.4	n.a.	111.0	2.1	0.8	10.2	68.7	109.1	October
November	5.7	-5.7	n.a.	111.2	1.6	0.5	10.4	71.0	109.7	November
December	-0.2	-4.4	n.a.	111.4	1.0	0.7	10.6	74.7	110.5	December
January 1993	11.0	-3.9	n.a.	111.8	3.0	1.5	10.7	72.8	112.0	1993 January
February	-4.5	-4.3	n.a.	113.2	2.9	1.6	10.6	73.0	113.3	February
March		-4.7	n.a.	114.1	4.0	1.5	10.5	74.6	114.4	March
April		-3.6	n.a.	114.6	2.7	1.0	10.5	74.8	114.9	April
May		-4.6	n.a.	115.0	2.5	3.9	10.4	74.8	115.0	May
June		-3.9	n.a.		3.9	3.3	10.4	72.5	114.5	June
July			n.a.		4.4					July

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

Foreign orders already surpass last year's record of £5.2bn

Arms exports 'a great success'

By David White

FOREIGN orders for British weapons so far this year have already surpassed last year's record of £5.2bn, Sir Alan Thomas, the Ministry of Defence's export chief, said yesterday.

Describing the export performance as "a great and unsung success story", he vigorously rebuffed suggestions that the government had been lax in vetting where its arms went.

Sir Alan, who has not been called to testify to the Scott inquiry into supplies of arms and related equipment to Iraq in the 1980s, said it was "nonsense" to depict Britain as a big supplier to President Saddam Hussein.

The UK had come "a very poor fifth" among the world's five main arms-producing nations in supplying Iraq between 1985 and 1990, he said, adding that it had not sent lethal equipment.

"No other country in the world has a more responsible policy or practice," he said. He added that the UK obeyed international controls and regulations on arms sales "both to the letter and in spirit".

Sir Alan, who heads the MoD's Defence Export Services Organisation (Deso), was speaking at a preview of the Royal Navy and British Army Equipment Exhibition at Aldershot, Hampshire.

He emphasised the MoD's increasing reliance on export customers to help defray the cost of its own weapons. "Our future capability depends on our export success," he said.

Officials expect the UK's share of the international defence market to exceed the 20 per cent it reached for the first time last year. This year's export figures had been boosted by the sale of 48 Tornado bombers to Saudi Arabia, expected to be worth some £4bn including spares and support.

The UK ranks as the world's No3 arms exporter after the US.

Despite rising exports, the exhibition reflects the general decline of the UK defence industry.

Exhibitions of British land and sea weapons were previously held separately in alternate years. The decision to merge them was made two years ago after a naval show which was judged to have too few exhibitors to be worth repeating. However, this year's combined show, organised by the Deso and paid for by industry, is if anything even smaller.

Open to invited guests only, it presents the incongruous spectacle of naval exhibits at an army base some 45 miles from the nearest coast.

The grey superstructure of a futuristic warship looming over the outdoor stands is a half-scale canvas mock-up constructed by British Aerospace as a token of its ambitions to expand in the naval business. A pool has been dug to give the impression that the pretend ship, built around a core of portable cabins, is floating.

Delegates from about 60 countries are expected at the exhibition.

UK country fans hurtin' and hopin' no more

By Rachel Johnson

UNTIL last week, UK fans of country and western music had few opportunities to hear good ole fashioned songs – hurtin', hopin', and copin' tunes with audible lyrics and proper melodies that last three minutes and no longer.

But last Friday, the Radio Authority awarded a licence to London Country Radio, the first 24-hour station of that genre in the UK. It hopes to be broadcasting to a potential audience of 7m by next April.

This followed the announcement that Country Music Television (CMT) Europe – with 300,000 UK subscribers since its introduction last year compared to 17m in the US – went on the Astra satellite as part of Mr Rupert Murdoch's new BSkyB package.

"These two developments provide a major new promotional outlet for the country product," said Mr Martin Satterthwaite of the Country Music Association, the Nashville-based trade association with a UK membership of 300.

Mr Adam Sieff, manager of the country section at Tower Records' flagship London store, said CMTV would "change everything" by making country music and its stars visible for the first time. The two new outlets were keeping pace with a taste for "good songs with neither no rap nor grunge base," he said.

While sales of country music albums are 73 per cent higher than they were in 1991, the British Phonographic Institute says that country and folk account for just 3 per cent of UK record sales. This contrasts sharply with the US, where the genre's unstoppable rise has led the UK music industry to jump on country's bandwagon.

Country music traces its origins to the poor smallholders, many from the Scots-English border who settled in the southern Appalachian mountains in the 18th century. The genre still has a long way to go in the UK, which will have two country music outlets next year. In the US, 2,500 radio stations play the white man's blues 24 hours a day.

Major faces test on taxes

By David Owen

PRIME MINISTER John Major was last night facing a new test of his leadership as the Tory right stepped up its efforts to head off possible tax increases in the November Budget.

As Mr Major prepared to return to Downing Street tomorrow after his Portuguese holiday, right-wing ministers were insisting that tax and spending should be discussed on Thursday at the first cabinet meeting since the summer break.

Downing Street yesterday described the meeting as "very much a reporting cabinet", with ministers outlining summer developments in their departments in general terms.

But right-wing ministers were adamant that the debate over the best way of narrowing the £50bn public sector borrowing requirement should not be kept off the agenda, arguing that the general political situation could not be discussed without talking about spending.

An acrimonious debate over whether further tax rises should play a part in the government's drive to reduce the budget deficit has rumbled on in Tory ranks all summer.

Already some are warning that the differences which have come to light could prove as damaging as the rift on Europe which dominated the last parliamentary session.

Yesterday brought a string of fresh contributions to the argument, with Mr David Mellor, a former Treasury minister, saying the option of tax increases had "got to be kept up". Mr John Townend, right-wing chairman of the Tory backbench finance committee, said supporters in his Bridlington constituency were telling him they did not elect him to put taxes up. He was "heartened by the fact that the battle for spending cuts is making progress".

Sir Edward Heath, former prime minister, said Mr Major should tell cabinet colleagues that if they did not go along with government policy they should "quietly resign or retire".

Coal mines attract few buyers

By Michael Smith

PRIVATE-SECTOR mining companies have made bids for fewer than half of 19 pits shut or mothballed by British Coal in its closure programme.

The deadline for the last five pits to be put out to tender is tonight, with the likelihood that only one will be the subject of a bid that involves mining. The five are Coventry, Shirebrook in Nottinghamshire, Taff Merthyr in Mid Glamorgan, Parkside on Merseyside and Sharlston in West Yorkshire.

As the final deadline approaches it is probable that only eight of the 19 stand a chance of reopening as mines. The others have either received no bids or are the subject of tenders that involve the use of surface assets only.

The government will use the private sector's lack of enthusiasm in its argument for closing so many pits. However, the shortage of bids will reinforce fears that the privatisation of British Coal next year will prove difficult. Decisions on bids are expected to take at least another month.

Number of new graduates finding work falls to 43%

By John Authers

EMPLOYMENT prospects for new graduates have worsened again, figures released today indicate.

They show that the proportion of graduates finding long-term employment by the end of the year they left university fell to 43 per cent last year.

It was the fifth successive annual fall according to the figures from the Universities' Statistical Record. In 1986-87, 60 per cent of graduates found long-term jobs. The latest figure is lower than the 49.5 per cent reached in the trough of the last UK recession in 1980-81.

Last year the proportion believed to be totally unemployed, without even temporary work, rose from 9.4 per cent to 10.6 per cent.

Graduates also shifted from industry – the destination for 23 per cent, down from 25 per cent the year before – and towards commerce – up one percentage point to 31 per cent.

Employers' organisations, including the Confederation of British Industry, predict that companies will start to recruit graduates again before economic recovery is fully under way, and graduate recruiters earlier this summer detected a "small but discernible upturn" in demand. This has yet to be reflected in any figures.

The fall in employed graduates is partly accounted for by a rise in the numbers taking further studies. This was the destination for 30.9 per cent of graduates, compared with only 24.6 per cent six years earlier. There was also a 6.3 per cent increase in the total number of graduates.

Architecture – up 28.6 per cent – saw the most vigorous expansion.

Graduate unemployment was lowest, at less than five per cent, for medics and dentists, and students of education. That confirmed predictions, made recently by teacher training bodies, of a shortage of trained teachers once the recession ends.

Librarianship was the subject least likely to lead to a job, with 20.8 per cent of graduates still looking for either a job or further study. Architecture (15.4 per cent), humanities (14.6 per cent) and mathematics (14.4 per cent) were next.

Despite complaints of a shortage of science graduates from industry, 13.4 per cent of physical scientists were still without either a job or another course – more than the overall average of 11.6 per cent.

Only "old" universities, and not former polytechnics which have become universities, are included in the figures.

● "Academic snobbery" is preventing disappointed university applicants from taking up courses in further education colleges, Mr John Patten, education secretary, alleges in a letter published today.

According to Mr Patten, writing in a letter to the chairman of the Conservative backbench education committee: "Universities are not the only institutions to offer degrees. Over 300 of the newly-independent further education colleges now offer higher education courses, 130 of them at degree level."

He likened resistance to further education colleges to the "academic snobbery" which deterred students from applying to polytechnics twenty years ago.

Union leader looks across the pond

Robert Taylor looks at efforts to reverse declining union membership

MR JOHN MONKS this week becomes general secretary of the Trades Union Congress, which begins its 125th annual gathering in Brighton today. He wants to draw on lessons from the US labour movement in his efforts to reverse the trend of declining union membership in Britain.

"I admire the toughness and professionalism of the American unions," he said. "They have to live and work within a difficult business environment in the face of large heavily anti-union multinational companies."

The 48-year-old from Manchester, who takes over from Mr Norman Willis at the end of the week as TUC general secretary after 23 years in the organisation's bureaucracy, is particularly keen on emulating US labour recruitment campaigns that make much use of computers for co-ordination and seek broader alliances in the community.

The TUC plans to take the initiative by launching a number of campaigns to publicise the relevance of trade unionism to the estimated 66 per cent of workers who no longer belong to unions.

A test campaign will be held in Bristol, where a number of unions intend soon to launch a co-ordinated recruitment drive. Local union activists will be mobilised to try to persuade workers who do not belong to unions to join them. If the Bristol campaign succeeds, the TUC will shift its focus to other cities. Immediately after this week's congress the TUC will prepare its campaign to reach the 6m trade unionists estimated to have their membership subscriptions deducted by their employer under the so-called check-off system out of their pay.

Under the new Trade Union Reform and Employment Rights Act every trade unionist has to approve within the next 12 months to union check-off. Many union officials fear this could produce a dramatic fall in membership as workers decide not to renew their subscriptions. Unions will be encouraged to move their members to the direct debit system of payment as a way of protecting their finances.

The TUC also plans to concentrate its campaigning efforts in four priority areas – health and safety, pensions, vocational and trade union training and equal rights.

John Monks in Brighton yesterday: he admires the toughness of US unions

"We want to make the TUC the kind of organisation that people admire and respect talking good sense and saying things that chime in with their experience," said Mr Monks.

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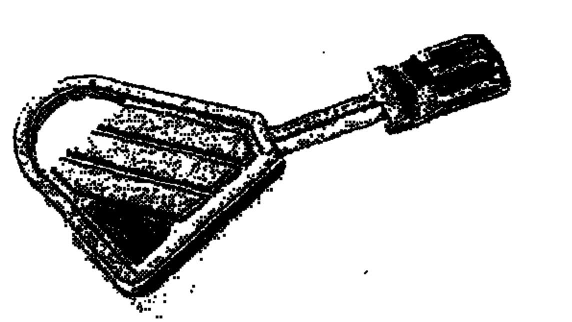

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THE WEEK AHEAD

ECONOMICS

German monetary policy in the spotlight

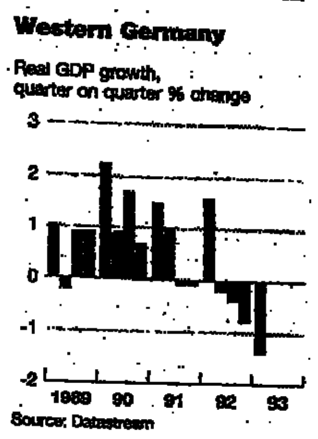
GERMANY will be the centre of attention this week with parliament resuming work after the summer recess today and the Bundesbank's decision-making council meeting again on Thursday.

The debate over whether the Bundesbank should or should not ease its monetary policy will be fuelled by the expected publication tomorrow of second quarter gross domestic product figures and July retail sales figures during the week.

The consensus among economists is that the economy stagnated in the second quarter. If true, that would lend support to the government's belief that the recession has bottomed out. But the outlook for recovery is bleak, with rising unemployment and continued self-doubt in Europe's biggest economy.

The weak state of the Japanese economy will be highlighted in the Bank of Japan's latest "Tankan" report on Friday. By coincidence international monetary officials meet in Paris that day to prepare the way for the annual International Monetary Fund meetings at the end of the month. Japan could again find itself under pressure to expand its economy.

The main economic *statistics* and events of the week follow. The figures in brackets are the median of economists' forecasts from MMS International, the financial information company.



Source: Datastream

Today: US, Labour Day market holiday.

UK, July credit business (up £200m), housing starts and completions.

Spain, August official reserves ($47bn).

Tomorrow: Germany, second-quarter western German GDP (unchanged on quarter).

Belgium, EC monetary committee meets in Brussels.

Wednesday: US, July wholesale trade, consumer credit (up $2.5bn); Federal Reserve Board releases tan book.

UK, *chancellor Kenneth* Clarke and Bank of England governor Eddie George discuss monetary policy. Treasury releases monthly monetary report.

Canada, August help wanted index (88).

Thursday: US, initial claims week ended September 9 (330,000); state benefits week ended August 28; 1993 real capital spending; second-quarter productivity; money supply figures for week ended August 30 (M2 up $1bn). Japan-US deputy ministers meet in Washington.

Germany, Bundesbank council meets.

UK, CBI distributive trades survey. Chancellor Kenneth Clarke at Scottish CBI dinner.

Canada, August housing starts, seasonally adjusted annual rate (163,000); July motor vehicle sales (up 3.5 per cent on month); June labour income (up 2.3 per cent on year)

Australia, August unemployment rate (10.8 per cent).

Sweden, August consumer prices (unchanged on month, up 4.6 per cent on year).

Friday: US, August producer prices (up 0.2 per cent on month), ex-food and energy (up 0.2 per cent).

Japan, Bank of Japan Tankan report; 1993 Tankan capital spending estimate (down 5 per cent); August manufacturing diffusion index (minus 54 per cent), non manufacturing (minus 42 per cent)

France, August preliminary consumer prices (unchanged on month, up 2.2 per cent on year). G7 deputies and OECD's Working Party Three meet in Paris.

Canada, August unemployment rate (11.5 per cent), employment (up 0.2 per cent on month); July department store sales (down 2 per cent on year).

Norway, August consumer prices (down 0.1 per cent on month, up 2.3 per cent on year).

During the week: Japan, August trade balance customs cleared ($7bn surplus).

Germany, August final cost of living (unchanged on month, up 4.2 per cent on year); July manufacturing orders (unchanged on month), retail sales (down 2.5 per cent); June trade balance (DM3.5bn surplus), current account (DM2bn deficit).

France, May trade balance (FFr5.5bn surplus); July M3.

Netherlands, August consumer prices (up 0.6 per cent on month, 3 per cent on year)

Switzerland, August federal consumer prices (up 0.3 per cent on month, 3.4 per cent on year), unemployment (4.7 per cent).

Australia, July money supply and credit.

Peter Norman

RESULTS DUE

GLAXO, reporting full-year results on Thursday, might sound more cheerful about its prospects in the US following President Bill Clinton's more conciliatory message about health care reforms this week.

Pre-tax profits for the year ended June are forecast at around £1.65bn against £1.43bn a year earlier.

Underlying sales growth will be in the low teens but sales of new drugs might be somewhat disappointing. A final dividend of 13p is likely making 20p for the year (17p a year ago).

Cadbury Schweppes is expected to deliver results in line with management's bullish assessments of trading in recent months when it reports its first-half figures on Thursday.

Many analysts forecast pre-tax profits of at least £160m, up from £126m last time.

Forecasts for Prudential, reporting on Wednesday, vary widely from £218m-280m pre-tax against £249m a year earlier. an increase in dividend to about 4.5p from 4.1p is also forecast.

Better life insurance performance will be overshadowed by further heavy losses on re-insurance.

Whether George Wimpey, reporting on the same day, returns to an interim pre-tax profit from a loss of £7.2m a year earlier hangs in the balance. Some analysts forecast a small profit, others a small loss. Its second half will be stronger given the housing pick up.

Blue Circle should report on Thursday interim pre-tax profits slightly ahead with the dividend unchanged.

AMEC's interim pre-tax profits are likely to be slightly lower on Wednesday than last year's £10.6m.

Following a recent trading statement, Hillsdown Holdings' results tomorrow will be carefully scrutinised.

It said it would achieve operating profits of not less than £80m, but it has its work cut out to improve the profitability of its diverse food businesses.

Coats Viyella on Thursday is forecast to report a moderate increase in interim pre-tax profits to about £54m from £46.5m a year earlier.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Adam & Harvey, Standard House, 15-16, Bonhill Street, E.C., 11.30
Dalepak Foods, Merchant Taylors' Hall, Aldwark, York, 12.00
Siebe, The Dorchester, Park Lane, W., 12.00
BOARD MEETINGS:
Finals:
Hagges (John)
Haynes Publishing
Phoenix Timber
Roxspur
Wills Group
Interims:
ASW Hldgs.
Brammer
British Vita
Bunzl
Claremont Garments
EFM Income Tst.
Fairey Group
Intrum Justitia
Lionheart
Perkins Foods
Rugby
Strong & Fisher
TLS Range
USDC Inv. Trust
Wilson Bowden

■ TOMORROW
COMPANY MEETINGS:
Abtrust New Dawn Inv. Trust, 99, Charterhouse Street, E.C., 12.30
Birse Group, Forte Posthouse, Ferriby High Road, North Ferriby, Hull, 12.00
European Motor Hldgs., 1, Paternoster Row, E.C., 10.00
MS Intl., Doncaster Moat House, Warmsworth, Doncaster, 12.00
PowerGen, International Convention Centre, Birmingham, 11.00
Southern Electric, Poole Arts Centre, Kingland Road, Poole, 11.00
Templeton Emerging Markets Inv. Trust, Templeton House, Atholl Crescent, Edinburgh, 10.00
Yorkshire Electricity, City Hall, Hull, 10.30
BOARD MEETINGS:
Finals:
Adscene
Fleming Overseas Inv. Tst.
Industrial Control Services
Macro 4
Pacific Horizon Inv. Tst.
TR European Growth Tst.
Interims:
Avonside
Boddington
Brown & Jackson
Cairn Energy
Cakebread Robey
Cantors
Croda Intl.
Expamet Intl.
Fisons
Frost Group
Harrington Kilbride
Headlam
Hillsdown Hldgs.
Home Counties Newspapers
IMI
Iceland
Jupiter Tyndall
Newman Tonks
Ocean Group
Peek
PowerGen
RPH
Reece
Scholl
Spear (JW)
Telemetrix
Transfer Technology
Vardon
Williams Hldgs.
Wilson (Connolly)
Wyevale Garden Centres

■ WEDNESDAY
SEPTEMBER 8
COMPANY MEETINGS:
AIM Group, New Connaught Rooms, Great Queen Street, W.C., 12.00
Cray Electronics, The Brewery, Chiswell Street, E.C., 11.00
Daejan Hldgs., CBI, Centre Point, New Oxford Street, W.C., 12.00
Fleming Intl. High Income Inv. Trust, 25, Copthall Avenue, E.C., 3.00
Gibbs Mew, The Cloisters, Ivy Street, Salisbury, 2.30
MFI Furniture Group, Chartered Accountants Hall, Moorgate Place, E.C., 11.00
Savills, 25, Finsbury Circus, E.C., 12.00
Syltone, Forte Crest Hotel, Leeds Road, Bramhope, Leeds, 12.00
Wagon Industrial, Park House Hotel, Shifnal, Shropshire, 12.30
BOARD MEETINGS:
Final:
Northern Indl. Improvement
Interims:
AMEC
Albany Inv. Tst.
BTR
Baird (Wm.)
Baynes (Charles)
Blenheim Grp.
Burnfield
Carnaud Metalbox
Cluff Res.
Eadie
Fairhaven
Kleinwort Smaller Co's.
Nurdin & Peacock
OGC Intl.
Plasmec
Portals
Porvair
Prudential
RTZ
Sema
Singer & Friedlander
Stat-Plus
Sumit
Thompson Clive Invs.
Wimpey (George)

■ THURSDAY
SEPTEMBER 9
COMPANY MEETINGS:
Alba, Harvard House, 14-16, Thames Road, Barking, Essex, 11.00
Bulmer (HP), Cider Mills, Plough Lane, Hereford, 2.30
Dixons Group, Grosvenor House Hotel, Park Lane, W., 11.30
Forminster, Prince Regent Hotel, Manor Road, Woodford Bridge, Essex, 12.30
JLI Group, St. James Court Hotel, Buckingham Gate, S.W., 10.00
London Merchant Securities, Carlton House, 33, Robert Adam Street, W., 12.00
Morris Ashby, 16, Freebournes Road, Witham, Essex, 2.30
Smith (David S.), St. James Court Hotel, Buckingham Gate, S.W., 10.15
Triplex Lloyd, Birmingham Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 1.00
Wintrust, 21, College Hill, E.C., 12.00
Worthington Group, Worthington House, 199-205, Old Marylebone Road, N.W., 11.00
BOARD MEETINGS:
Finals:
Armour Trust
Davies (DY)
European Smaller Co's
Glaxo
Interims:
Arjo Wiggins Appleton
BTR Nylex
Blue Circle
Booker
Boustead
British Dredging
British Gas
Cadbury Schweppes
Christies Intl.
Coats Viyella
Enterprise Oil
Friendly Hotels
Gowrings
Great Southern
Greenway
Hall Eng.
JIB
Laing (John)
Lloyds Smaller Co's Inv
Manders
North Sea Assets
Perry Grp.
Ropner
Shell
T & N

■ FRIDAY
SEPTEMBER 10
COMPANY MEETINGS:
Hampson Inds., Centennial Centre, Icknield Port Road, Edgbaston, Birmingham, 11.30
Lister, Novotel Bradford, Merrydale Road, Bradford, 12.00
Mosaic Invs., Smith New Court House, 20, Farringdon Road, E.C., 10.15
Ratners, New Connaught Rooms, Great Queen Street, W.C., 12.30
Stanley Leisure, Stanley Wirral Casino, Oxton Road, Birkenhead, Wirral, 11.00
BOARD MEETINGS:
Finals:
Headway
Henderson Eurotrust
Walker (Thomas)
Interims:
Bardon Grp.
Beattie (James)
Berry Starquest
Bletchley Motor
Gaskell
Ratners
Ulster TV
Vinten

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Adam & Harvey 7p
Amer. Express Credit 8% Dual Currency Senior Bds. 1996 Y80,000
Bank of Greece 10¾% 2010 £5.375
Cardiff Property 0.85p
Dares Ests. 8% Un. '92/97 £4
Drayton Far Eastern 0.125p
Electrocomponents 5.9p
Kembrey 0.155p
Mitsui & Co. Fixed & Fltg. Rate Nts. 1996 Y2,500,000
Moorgate Inv. Tst. 3.8p
Partridge Fine Arts 1.2p
Renown Inc. 4⅞% 1994 (with Wrrts.) $243.75
Do. 4⅞% 1994 (without Wrrts.) $243.75
Safeland 0.44p
Sainsbury (J.) (Channel Islands) 8½% Cv. Cap. Bds. 2005 £212.50
Scottish & Newcastle 11.07p
Templeton Emerg. Markets 1.7p
Whitbread 9¾% Rd Db '91/96 £4.875
Woolwich Bldg. Society Fltg. Rate Nts. 1996 £156.77

■ TOMORROW
Critchley 4.8p
Eksportfinans 14½% Nts. 1993 A$145
ENSERCH $0.05
Fleming Fledgeling Inv. 1p
Freeman 2p
Gen. Motors Acceptance Crp. of Can. 7¾% Nts. 1997 *C$77.50*
Do. 11⅜% Nts. 1995 C$118.75
Lockheed $0.53
River & Merc. Extra Inc. 1.96875p
Rockwell Intl. $0.25
Sanwa Fin. Aruba Gtd. Step-Up Fltg. Rate Nts. 2002 $527.08
Sweden (Kingdom of) 6½% Nts. 2003 $65

■ WEDNESDAY
SEPTEMBER 8
Bank of Ireland Undated Var. Rate Nts. $1,102.08
Barclays O'seas. Inv. Gtd. Fltg. Rate Nts. 2004 $127.78
Brit. Gas Intl. Fin. 8⅜% Gd. Nts. 1999 $83.75
Cardiff Automobiles Receivables Secn. No. 2 Class A Fltg. Rate Nts. 1997 £162.58
Do. Mezzanine Fltg. Rate Nts. 1997 £189.04
Finsbury Smaller Co's. Tst. 1.1p
Fuji Intl. Fin. (Australia) Fltg./Fixed Rate Gtd. 2001 $487.15
Independent Inv. 0.6p
Lex Service 4.7p
Local Authority Short-Dated 10½% 1993 £5.4226
Natl. Australia Bk. Sub. Var. Rate Nts. 2000 £166.04
Natl. Westminster Bk. Var. Rate Cap. Nts. 2009 £159.11
Nationwide Bldg. Society Fltg. Rate Nts. 1995 £153.75
Prism Leisure 2.37p
Renold 7⅝% 2nd Deb '92/97 £3.8125
3i Grp Gtd Fltg Rate Nts 1997 £160.68
UK 7¾% Treas. 2006 £1.8632
Do. 10% Treas. 2003 £5

■ THURSDAY
SEPTEMBER 9
Anglian Group 5.8p
Anheuser-Busch $0.36
Baring Tribune Inv. 1.7p
Carclo Engineering 3.4p
Cray Electronics 1p
Domino Printing Sciences 2.65p
Forminster 10.04p
Funding for Homes 10⅛% Deb. 2018 £5.0625
JLI 3.1p

■ FRIDAY
SEPTEMBER 10
Abbey Natl. Treas. Srvs. 9⅜% Nts. 1993 $93.75
AlliedSignal $0.29
Bank Leumi (UK) 4.5p
Chevron $0.875
Dun & Bradstreet $0.61
Eksportfinans 7⅝% Nts. 1993 $381.25
Exxon $0.72
Fleming Intl High Inc Inv 2.8875p
Fuji Bank Intl. Fin. Perp. Sub. Gtd. Fltg. Rate Nts. $10,669.44
General Motors $0.20
Do. SDR $0.01
Grace (WR) $0.35
Greenfriar Inv. 2.15p
Houston Inds. $0.75
IBM Credit Corp. 8% Dual Currency Nts. 1995 Y80,000
Intl Business Machines Cap Stk $0.25
Lilly (Eli) $0.605
Manweb 14.9p
Mobil $0.80
Monsanto 5% Gtd Ln '92/97 $0.58
Nationale (De) Investeringsbank Sub. Fltg. Rate Nts. 2002 $130.97
Natl. Medical Enterprises $0.12
Nippon Paint 6.1% Bds. 1997 Y610,000
Northern Foods 5p
Savills 1p
Siam Selective Growth Tst. 1p
Sumitomo Realty & Dev. 4.70% Nts. 1997 Y134,472
Sun Co. $0.45
Texaco Capital Stk. $0.80
Trans-Natal Coal R0.57
Travelers $0.40
UK 5½% Treas. '08/12 £2.75
Utd. Technologies $0.45
Witan Inv. 2.7p

■ SATURDAY
SEPTEMBER 11
Bangkok Invs. Part. Rd. Pf. Bt50

KUWAIT OIL COMPANY (K.S.C.)

TENDER NO: S-T/1993/19

SALE OF SURPLUS EQUIPMENT

Kuwait Oil Company (K.S.C.) invites interested local and international Contractors and others who wish to participate in the above mentioned Tender for sale of Surplus Equipment on "AS IS WHERE IS" basis, in accordance with the "General Conditions for the Sale of Surplus Equipment" contained in the Tender, to collect the Tender documents from Contracts Department, Kuwait Oil Company, Ahmadi, Kuwait during Company normal working hours from Saturday, 11-9-1993 against the payment of KD. 100/- (One Hundred) per set, non refundable.

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Given below is a brief description of the items of Equipment offered for sale:

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4.	Batch Plant	Hymo	1 No
5.	Concrete Buckets	Gar-Bro/Pamono	15 Nos.
6.	Rock Drill	Atlas Copco	6 Nos.
7.	Pump-Water Centrifugal 4000 Gals/Min	Worthington	2 Nos.
8.	Welding Machines, 250,300,400 Amps	ESBA/Lincoln/Nomad	42 Nos.
9.	Trailers	Holland/Creekside	15 Nos.
10.	Generators upto 6.25 KVA	Dayton/Wilson/Groban /Robin/Coleman	17 Nos.
11.	Construction Equipment Attachments	Variety	56 Nos.
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- Enables you to select the most suitable legal structure for an enterprise
- Supplies checklists so you avoid common mistakes when registering
- Provides sample registration forms and letters to obtain the relevant authorisations
- Lists addresses and contact details of key agencies in Moscow

Much of this information is simply unavailable elsewhere and will be of real practical everyday use to anyone intending to do business in Russia, as well as legal, financial, accounting and other advisors.

The Guide to Registering Companies in Moscow is available exclusively from Financial Izvestia — to order your copy, see below.

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MANAGEMENT

Time was when industry's involvement in schools was regarded as a good public relations wheeze, paid for out of the same budget as charitable donations. Today, however, UK companies are realising there are important career development benefits for their managers.

Sir Allen Sheppard, chief executive of Grand Metropolitan, is one business leader who supports participation by employees in community action and education programmes. "It's a big part of career development," he said in a recent interview with the FT (Management Page, July 2). "I like to see people in the trenches, not stuck in the back office. It's better than 1,000 management courses. It's playing the game for real."

On Sir Allen's analysis, sending staff on educational programmes is an act of enlightened self-interest - training is helped, while the company's image, and the long-term health of the community around it, improve. Sending employees into classrooms can also be a valuable first step to finding good new recruits.

The bodies that co-ordinate education and the private sector are now trying to ensure that their programmes will be useful for industry participants. These include Young Enterprise, which uses corporate managers as advisers to "boards" of 16-18-year-olds running dummy companies for vocational business qualifications, and Understanding Industry, which arranges for managers to give sixth-formers lessons in how industry works.

Research by Oxford University's delegacy of local examinations found that companies are using secondments to the Young Enterprise scheme as a formal and informal means of developing management skills. Work as a YE adviser also conforms with the standards of the Management Charter Initiative, the government-backed body for establishing common standards of managerial training, which is backed by 1,614 companies.

Each Young Enterprise "company" has a board of directors composed entirely of students who raise starter capital of £250, and a workforce taken mainly from friends at school. Over the next year, they attempt to make as much money as possible from business activities. The children gain vocational qualifications, and have the chance to win prestigious prizes in competition against other youthful companies across the UK and Europe.

Managers from industry are required as advisers for each managing board. Last year, more than 5,000 advisers were seconded to Young Enterprise companies.

Corporate training managers say a young manager can derive excellent experience by overseeing the birth of a small company, run by usually highly enthusiastic teenagers. Midland Bank now has more than 400 Young Enterprise advisers, and uses the scheme as a standard appraisal tool for any recruits who hope to become small business advisers.

According to Oxford University's research, each adviser must play roles as team players and managers, but must also work as a "catalyst", consultant and manager of learning. They must also assess and audit their students' work. It is a big commitment, involving one two-hour session each week with the youthful boards of management, plus duty on some Saturdays towards the end of the year when the companies take their wares to trade fairs and make presentations.

But former YE advisers find the experience invaluable. Isobel Day, remunerations and benefits officer for Guinness Brewing in north London, advised a company called Le Pose at Queens Park Community School in Brent. In a turbulent year of existence it appointed four separate managing directors, and drastically revised its accounts several times. Day said she learnt to take an overview of the range of a company's functions - not otherwise easy in a company the size of Guinness - and also gained insights into the problems of team leadership and co-ordination.

Under Day's guidance, Le Pose eventually raised enough money by offering car washes and making Christmas cards to go to France and take advantage of the then favourable exchange rates to buy cheap goods, which the children then sold in north London. Its campaign came to a climax with a highly regarded presentation to a group of business leaders, including Martin Sorrell, chief executive of WPP, which had been organised by Business in the Community.

According to Day, Guinness has now established Young Enterprise involvement as "very much a useful career development tool". This judgment is shared by United Biscuits, another big employer in Brent, which also involves its managers in YE programmes.

Understanding Industry organises a less onerous programme that also allows junior managers to gain extra perspectives on their work.

UI courses are offered as a bloc to Sixth Form colleges, and lead to a diploma at the end of the course. During the term, the aim is to introduce students to all sectors of industry, and to each of the various management functions. Different volunteer managers from industry address the class each week to explain their job, and to take them through model exercises.

Past volunteers attest that the experience of explaining themselves to a group of curious sixth-formers helped their communication skills. They must act as ambassadors for their companies, but avoid technical jargon, and also review closely what their job is aiming to achieve. Students also have an ability to ask questions that managers would otherwise never have asked for themselves.

Like Young Enterprise, UI aggressively promotes its programmes as useful training for managers, as well as for students. Powerful backers for its latest campaign include Allied-Lyons, Esso, Marks and Spencer, Thorn EMI and Boots.

Allied-Lyons expects all its managerial employees to take on external community positions, with a particular emphasis on school governorships and participation in Understanding Industry courses. The company sees educational involvement as a part of overall management development, and an opportunity to widen contacts.

Educational involvement, though, does not come cheap. Allied-Lyons calculates that each secondment of a manager to take a UI course amounts to a gift of £800 for the school.

BBC news presenter Martyn Lewis with finalists from the Young Enterprise Europe competition in Oxford

Back to school for industry

Managers are sharpening up their skills through educational placements, reports John Authers

Changing face of the MBA

As demand for courses falls, business schools are reassessing their role, writes Tim Dickson

A recent cartoon in the Christian Science Monitor conveys an uncomfortable message for modern managers. It pictures the IBM "juggernaut" careering off the road and a clearly bemused "driver" under the caption "I don't understand ... we all went to the top business schools".

Management education is going through a rough patch on both sides of the Atlantic. Demand for MBA courses is down 17 per cent in the US and by roughly the same figure in the UK. Companies are sending fewer managers on executive programmes; and contracting higher education budgets mean fewer faculty jobs for academic staff. The more honest and forward-looking business school heads, however, acknowledge that economic recession is not the sole culprit. Current uncertainty, they concede, has as much to do with changing perceptions of the value of an MBA.

One such realist is Jim Schmotter, dean of the College of Business and Economics at Lehigh University, Pennsylvania, and a former associate dean and director of international studies at the Johnson Graduate School of Management at Cornell University. Addressing human resource directors at a one-day conference at Manchester Business school last Thursday, Schmotter identified the main trends in North American management education with disarming frankness.

Reinforcing the cartoon theme - that maybe the emperor has no clothes - Schmotter almost masochistically cited a New York consultant who advises Fortune 100 companies on their MBA recruitment. "She [recently] observed that companies are now hiring MBAs primarily because of the work experience they had before entering school because they see no value that we on the campus add. And they are hiring far fewer. Further, they do not see business school faculty as qualified to help them solve important business problems."

Whether you agree with this bleak assessment or not - the Lehigh dean and most of his audience would presumably strongly beg to differ - Schmotter's point is that views like this are part of the market reality. How are business schools responding?

Schmotter outlined four strategies.

- Do nothing, or as he put it, "get down into my tenured bunker and wait for the economy to rebound". Blaming others - naive students and short-sighted corporations - is part of this approach.
- Expand courses with features that look attractive, such as outward-bound leadership programmes, overseas trips or "non-credit" sessions on speaking and etiquette. Schmotter argues that business schools have no comparative advantages in these areas, and none of it affects the curriculum or faculty.
- Gear up the public relations machine, proclaim commitment to the 21st century and try to get front page news coverage every day. Schmotter's verdict: "Again, style over substance."
- Finally, and most positively, introduce genuine reform. The task is not to be underestimated but he suggests that "schools such as Michigan, Case Western Reserve, and Babson College are rethinking what they do - and from all we hear Harvard is soon to join this trend".

Business school heads acknowledge that current uncertainty has as much to do with changing perceptions of the value of an MBA as the economic recession

Schmotter believes that business schools will have to change because global corporate restructuring is resulting in fewer jobs of the kind MBAs have traditionally held. Schools will have to add more value to students' employability and alter their expectations. They will have to develop more real partnerships with companies.

Shrinking resources will put a premium in business schools on the sort of concepts normally taught, rather than acted on, by academics: productivity, total quality and continuous improvement to name but three.

Business school "constituents", meanwhile, will increasingly continue to insist on a market-driven, rather than a product-driven mentality. Trends towards tailored, company-specific programmes are appearing in MBA education, too, and rankings are here to stay.

MBA schools are also realising they cannot cover the waterfront, and specialisation - practised with success by the Thunderbird School and the University of South Carolina - is according to Schmotter the key to market share.

The European model, he concedes, is finding converts in the US and schools there "face sophisticated competition... for the best students, faculty and corporate support". "MBA education," he adds, "is a global phenomenon."

That in part explains why much of Schmotter's analysis is echoed in Europe: the growing PR awareness is particularly marked, and course reform is exemplified by the growth of distance learning, the sometimes discreet trimming of two-year MBA programmes and the development of intra-European networks. League tables and other forms of independent ranking may become more widespread, not least if the impasse over plans for a common European system of accreditation is not broken.

Schmotter's thesis is one of opportunity as well as challenge, and in the UK there is arguably plenty of both. A recent Institute of Management survey reveals almost a third of UK companies admit to spending no time on management training, while other evidence suggests most UK companies are pleased if they devote 2-3 per cent (against the 25-30 per cent cited by many Japanese executives).

As with the shoe salesman who returned disconsolate from Africa to say that everybody there went around in bare feet, such statistics can be read in more than one way.

CONSTRUCTION CONTRACTS

Newspaper plant for Glasgow

BALFOUR BEATTY has commenced work on a £20m management contract to provide a fully serviced printing plant for the Scottish Daily Record and Sunday Mail at "Fifty Pitches" in Cardonald, Glasgow.

The works comprise a press hall, reel store, inserting area, despatch and publishing area, associated ancillary buildings together with all external works. The site is planned to be operational by the beginning of 1995, which will coincide with the 100th birthday of the Daily Record.

Traffic congestion

Mid Glamorgan County Council has awarded **CHRISTIANI & NEILSEN** the £11m plus contract for building the new Pontypridd inner relief road. Construction starts soon and completion is due within three years.

The relief route - a mixture of new construction, road widening and improved traffic management - will relieve congestion in the town centre of Pontypridd. Traffic from the Rhondda Valley will be speeded up on its way to the A470 Cardiff-Merthyr Road, via a new interchange to the east of the town.

Bridge ventures

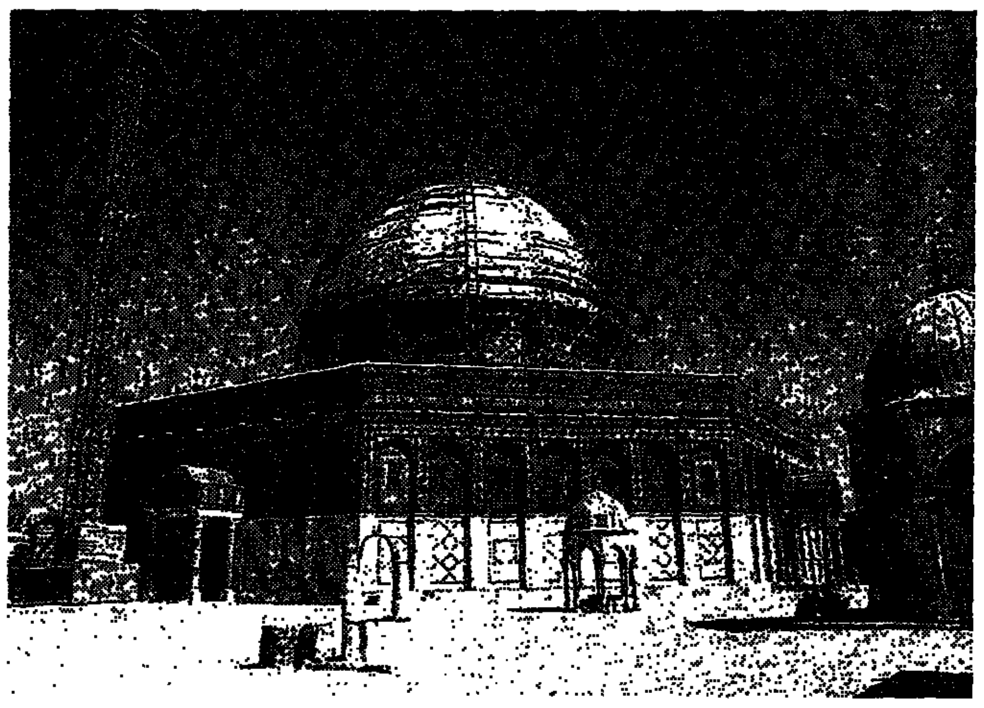
BRIDON ROPES has been awarded two bridge contracts worth £2.5m. The two cable stayed bridges are the Second Severn Crossing, downstream of the current Severn Bridge, and the Glebe Island Bridge, across Johnstons Bay in Sydney Harbour, Australia, which will be of a similar scale to the existing harbour bridge.

Hanoi airport

JOHN LAING INTERNATIONAL has signed an agreement with the government of Vietnam for the design, construction and operation of a new international passenger terminal at Noi Bai Airport in Hanoi.

The agreement allows a joint venture partnership between Laing and the Northern Airports Region in Vietnam to be the owner of the terminal.

Restoring holy building



METADALIC, part of the C.P. Group based in Hayes, has been awarded a contract worth in the region of £200,000 to supply materials and full technical support to the gold plating of a new dome on the famous Dome of the Rock mosque (pictured above) in the old City of Jerusalem.

The restoration of the dome, worth in the region of £5m, is proceeding to schedule with completion expected in December.

New superstore for Berkshire town

The P&O company **BOVIS CONSTRUCTION** has begun work on a £10.5m contract to build a 67,000 sq ft superstore for Safeway in Reading, Berkshire.

Situated on Basingstoke Road, the new store will also offer a range of other facilities including a petrol station, post office, restaurant, baby changing rooms and a dry cleaners.

Originally a rubbish dump and later a car showroom and servicing facility, the site required special preparation before building work could begin. This involved clearing waste materials and stripping off contaminated top soil up to a depth of 6m.

As well as the construction of the store, petrol station and creation of a 667 space car park, Bovis is managing associated roadworks which will create a new roundabout and access to the store.

Bovis will also fit out 35,000 sq ft of sales floor area in a 15-week programme. Work carried out will involve the installation of all shop floor services including underfloor heating, refrigeration units, checkouts, cash transfer systems and security systems. All back-up services for the coldrooms, freezers, ambient storage, bakery and food preparation areas will also be installed.

Building work is due for completion in February 1994 and the store will open in March 1994.

£36m orders won by Lovell Group

The three companies within the construction division of the **LOVELL GROUP** have won contracts valued together at £36m.

Within this total, the Lovell Construction workload of £19.3m includes a variety of office, transport and residential work. Among the office contracts are a £1.9m refurbishment for London & Leeds Estates in the Strand, bomb damage re-instatement of £1.16m in the City, a £1.1m project for the Automobile Association at Basingstoke and fitting-out for Zeneca at Stanhope Gate W1.

In the transport field, work at Heathrow and Stansted Airports, Euston Station and the Central & District Underground lines combine to total £2.9m.

Residential contracts of £6.55m include work for the City of Westminster on the Queen's Park Estate W10, the Samuel Lewis Housing Trust at Beckton, English Churches Housing Group in Westminster, the Civil Service College at Ascot, and the University of Brighton.

Walter Lilly & Co has obtained work totalling over £7m in the London area. New clients include QPR Football Club, Queen's Park United Reformed Church and Nonsuch High School in Cheam.

In the Midlands and North of England, Bullock Construction has been awarded contracts worth £9.6m, mainly in the educational and housing sectors.

£35m work awarded to Try Group

TRY GROUP has been awarded contracts valued at £35m for its construction, refurbishment and civil engineering businesses, two thirds of it through negotiation.

Among £16m worth of work for Try Construction is the £5.7m refurbishment of "C" wing, at Wandsworth Prison, for the Home Office. Cells will be upgraded and group association areas refurbished. All mechanical and electrical, lighting and alarm systems are to be renewed and a new roof installed.

The £2.5m refurbishment of the Queen's Club tennis and leisure centre in Hammersmith involves upgrading the pavilion and constructing an extension to provide a multi-function room, kitchen and staff canteen.

Try Build has secured £10m worth of work, half of it arising from three contracts, the construction of St Joseph's Hospice, Hackney (£1.8m), a retail fit out at Basildon for British Home Stores (£1.9m) and the refurbishment of Friern Barnet School for the London Borough of Barnet.

CBM Construction, has won work valued at £3.8m, including a £1.5m sixth form college at Notre Dame School, Leeds.

Thermal power

CEMINDIA, part of Trafalgar House Construction, has secured new orders worth £10m.

The largest is a £5m contract from the Tamilnadu State Electricity Board for the civil works for a coal handling plant which forms part of a new thermal power project.

The company has begun constructing diaphragm walling so that deep excavation for the wagon tipplers, unloading hoppers and emergency reclaim hoppers can take place.

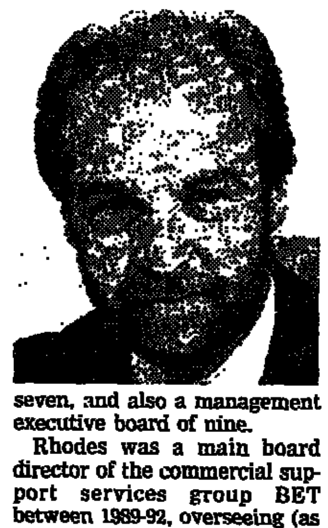
Work on the installation for the batching plant and piling work for the stacker reclaimer system and other conveyor systems is currently under way. The project is scheduled for completion at the end of next year.

The company has also won a £1.1m order to construct a berth for the Calcutta Port Trust at the port of Haldia in eastern India.

PEOPLE

Rhodes switches to Thorn lights

Thorn Lighting Group has lost little time in making fresh main board appointments following its sale to Investcorp, the Bahrain-based investment bank, which in June this year paid £162m to Thorn EMI in what was effectively a management buy-out. According to Investcorp, Thorn Lighting will be seeking a flotation in the medium term.



Phillip Rhodes (right), a 46-year-old chartered accountant, has joined as chief executive covering the UK, Ireland and central European territories; Michael Frye, 47, chief executive of the engineering and machine tool manufacturer B. Elliott, becomes a non-executive director with special responsibility for Thorn Lighting's architectural lighting initiative and design issues.

They join a main board of seven, and also a management executive board of nine.

Rhodes was a main board director of the commercial support services group BET between 1989-92, overseeing (as divisional chairman) the group's textile rental, contract catering and facilities management in the UK, US and Europe. Before that he held various posts with Guinness.

"There are lots of similarities in the marketing mix", of both Guinness and Thorn, says Rhodes, a believer in general management "being a universally applicable skill". Thus although there might seem to be a substantial leap from spirits to lights and "our customers are not consumers in the same way, we nevertheless have to serve them efficiently and well".

As happened with its sale of Kenwood Appliances and Thorn EMI Software to their managements, Thorn EMI retains a stake in the new Thorn Lighting company. The parent company receives £137m in cash, a 12 per cent equity stake, worth £8.7m, and £16.3m in subordinated loan notes.

Bodies politic

Bridget Bloom, formerly agricultural correspondent of the Financial Times, has been made a part-time commissioner of the Forestry Commission. The appointment comes as the future of the Commission is being reviewed by an inter-ministerial committee, with privatisation an option.

Bloom, 56, was the FT's Africa and later its defence correspondent, before taking up the agriculture beat. She retired from the paper last year and is a part-time commissioner of the Meat and Livestock Commission.

While writing for the FT she was strongly critical of government forestry policy, until the abolition in 1988 of tax concessions that had encouraged wealthy individuals to invest in large-scale tree-planting.

Seven of the 11 members of the Forestry Commission, its board of directors, are non-executive.

The performance of the non-executives is strongly criticised in a submission by the Institute of Chartered Foresters to a government review. The Institute said it suspected that improvements in the running of the Commission had been "achieved in spite of the non-executive commissioners, not because of them".

- **Barry Goddard**, executive director of the Council for Travel and Tourism, has also been appointed secretary general of The DUTY-FREE CONFEDERATION.
- **James Gilmore** has been appointed deputy director general of CAB INTERNATIONAL, an intergovernmental organisation providing services to agriculture and the conservation of natural resources.
- **John Ilott**, md of R.S. Kennedy and Co, has become a companion of the INSTITUTION OF GAS ENGINEERS.

Lady Ponsonby of Shulbrede has been appointed Waterways Ombudsman, largely, she believes, on the strength of her experience as a barrister and arbitrator. Every year millions of people use Britain's canals: boaters, anglers, and freight carriers.

If they have cause to complain of maladministration by British Waterways, the nationalised body that runs the canals, reservoirs, towpaths and buildings, they have recourse to BW's complaints procedure. If still not satisfied, Lady Ponsonby is their last resort.

No one really knows how busy she may turn out to be; British Waterways says it keeps no overall record of how many moaners it gets annually. But Lady Ponsonby is not one of them; she acknowledges never having taken a canal boat holiday, "though I have walked along a good few towpaths".

During her three-year contract, Lady Ponsonby, 61, plans to stir the waters a bit: "British Waterways will have to abide by my decisions, and if they don't like them, too bad - they're stuck with me," she says.

Brian McMaster's Edinburgh festival

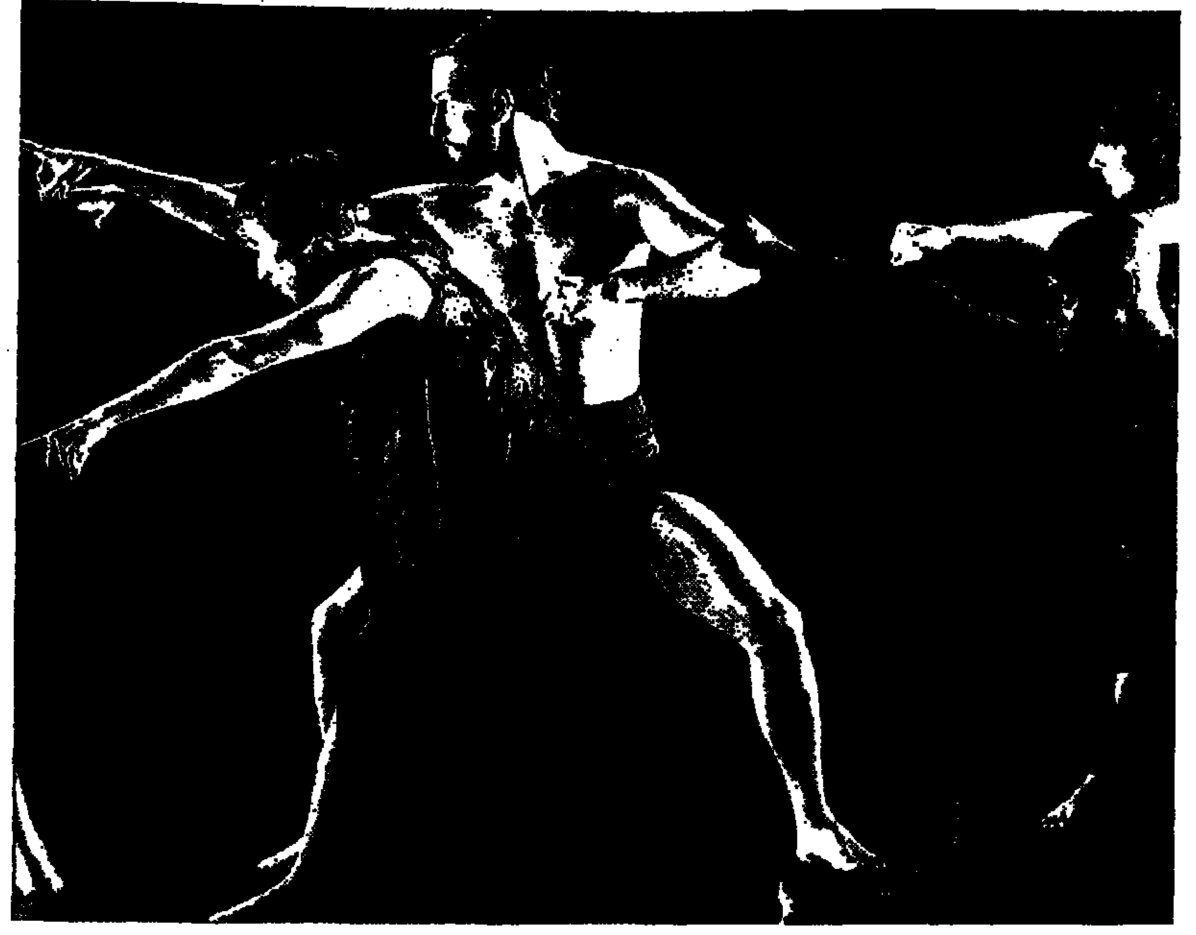
Alastair Macaulay reflects on the highs and lows of this summer's three-week event

This was the first Edinburgh festival that I "did" from first to last – from opening concert (August 15) to final performance (September 4) – and kept up an average of 3 shows or more per day. It had an unusual stream of accidents, starting with the mysterious fire at the Playhouse, which continued right through to the last week, during which two sopranos and one mezzo carried on despite announced throat complaints. It also had its no-nos (the most lacklustre opening concert anyone can recall) and its hulus (the theme of James MacMillan's music "in focus").

Yet Edinburgh's remains a uniquely beloved festival, not least because of Edinburgh itself. Some of the critics who complained loudest about individually disappointing events in 1993 nonetheless spoke of their great happiness in being here again. One reason for that was this year's glorious weather, which made the architectural and natural beauties of the city stand out with exceptional definition. Even at night-time, the moon hung low in the sky above the castle – most memorably on the evening of the great fireworks concert.

The Edinburgh festival is also held dear for three other reasons: its success in combining multiple arts, its function as a meeting-point of all manner of people interested in the arts, and the lively co-existence of official and fringe events. So what if Aeschylus was mauled by a charlatan? So what if *Julius Caesar* kept being drowned by airplanes, tractors and a grain-dryer? So what if the three Lenz plays showed very well why we have seen so little Lenz before now? You had only to go to *Holbein*, or the *Lindsay* Quartet, or *The Broken Jug*, and you fell in love with the arts all over again.

But this has been true of Edinburgh for donkeys' years. What of the festival under Brian McMaster? Well, you could tell that he had an audacious penchant for the unorthodox last year, when he launched his regime with Schoenberg's *Moses und Aron*. (Nobody *dared* make the old crack "Are you sitting comfortably? Then I'll play you some Schoenberg.") He has suffused his festival with a mentality both international *and* fringe – as I realised last Friday, after a day that had included a morning lieder recital by a German thalidomide basso, a matinee play-reading of Jakob Lenz's *The Soldiers*, an evening concert of minor Janáček and minor Schubert, and a late-night concert by a Catalan protest singer.



Dissidence and modernity: Mark Morris Dance Group at the Edinburgh festival

For many of us, the main fun of the Edinburgh festival lies in what it teaches us that we never knew before. These days, the festival has specific themes, and this appeals to the eternal student in me; I arrive looking forward to a three-week course in subjects about which I know too little. But 1993's themes were an odd bunch. The Schubert/Janáček theme was designed less to cover either composer properly than for compare-and-contrast purposes, not often to stimulating effect. The Verdi "from first to last" theme omitted so much of Verdi "in between" that it proved a wish sandwich. And the MacMillan theme has put scores of us off his music for good. Next year's themes, it is said, will include Goethe and Beethoven: which Edinburgh should be able to serve judiciously.

The most successful 1993 theme was the bringing together of the work of four of today's most celebrated foreign theatre directors – Peter Sellars, Robert Wilson, Robert Lepage, Peter Stein (though it is revealing that the festival's most perfect – and most beautifully acted – production of all was Thomas Langhoff's account of Kleist's *The Broken Jug*). Here is a theme I would love to see taken further. Imagine, for example, a festival where we saw four or more international directors' contrasting treatments of Shakespeare or Ibsen plays; or Greek tragedies. Imagine a festival that gave us every Chekhov play, each one staged by a different master.

For some of us, there is another, more specific, reason why we cherish the Edinburgh festival: namely, the 11am concerts at the Queen's Hall. Six mornings per week you can start the day with chamber music or a recital, and, even when the music is not to your taste, the act of sitting and attending in quiet to music is the best possible daily therapy – perhaps especially to those of us who spend much of the rest of each day focusing more upon the other arts. It is strange but true that, since much of the Queen's Hall music is of highest standard, you really can feel that your life has been enlarged a little, several days a week, before lunch.

Let me not sound too lyrical about this year's assortment. Apart from MacMillan (oy vey), the Gould Trio and Steven Osborne simply were not of international standards. OK, Osborne – like MacMillan – is a good Scots boy; but this was the second year in which we watched his tense and unauthoritative way with piano classics. As for the Gould Trio, their phrasing lacks firmness, and their violinist is slipshod. But the recitals by Anne Sofie von Otter, the Lindsay Quartet, Yuri Bashmet, Dawn Upshaw, Andras Schiff, Thomas Quasthoff, Sylvia McNair – each of these was a special event, memorable and moving.

This year (and last, and next), there has been one ideal Edinburgh artist, the choreographer Mark Morris – who is both international and fringe, theatrical and musical, alternative and classical, and who is plainly one of the superlative artists of our day. His theatrical visions - just see *Grand Duo* and *Home* - are equal to those of the above theatre-directors. There is enough dissidence and modernity in Morris to suit him to McMaster's spirit; and McMaster has responded by making sure that Morris's dances are accompanied by world-class musicians. Sight and sound are thrillingly, and festively, conjoined.

Sponsorship / **Antony Thorncroft**

Fears for live events funding

The world, well, that scrap of it known as the arts sponsorship world, was amazed when the Association for Business Sponsorship of the Arts came up with a figure of £64.4m for corporate expenditure on the arts in 1991-92 and predicted that there might even be a slight increase this year. If ABSA wants to ensure that its forecast comes true it need only add in the £4.5m that Classic FM has raised through sponsored programmes in the past year.

It is hard to argue that the Classical Gas programme, sponsored by British Gas on the station; Classic Verdict, which appears thanks to Clerical & Medical, and the station's Summer Music Festival programme, sponsored by Kenco (impressed by rival Nestlé's success in underwriting the charts on pop commercial radio) are not a form of arts sponsorship.

Certainly the latest initiative, a £100,000 investment by Prudential to ensure that its sponsorship of the Prudential Awards for the Arts is better known, is designed to help the arts world. Through the coverage, the 4.5m listeners of Classic FM, will hear all about the activities of short-listed companies like Théâtre de Complicité, Opera North, and the Shobana Jeyasingh dance troupe, and will be encouraged to see them.

There is a fear that the money spent on sponsoring arts programmes on television and radio, which is now being actively encouraged by the media involved, will take away funding traditionally put behind live events. There is the possibility that some companies will feel happier investing in media, which they understand through their advertising expenditure, rather than in sponsorship. But TV and radio coverage will need the events of the living arts to promote, and anything that gets business thinking about the arts as a marketing outlet, rather than traditional brand and corporate advertising, is a good thing.

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Slowly, almost imperceptibly, ABSA Consulting is being launched on to the world. It is a risky business for the Association for Business Sponsorship of the Arts, a charity designed to increase corporate funding of the arts, to start up a commercial subsidiary. It has traditionally given free advice to its corporate members.

It will still do so. If you want a quick opinion about a new sponsorship, or a run down of opportunities in the dance field, say, or in drama, ABSA will still weigh in with its experience. But if you are a long-term sponsor who is thinking of revamping its sponsorship programme and needs an audit of past activities and some considered research into potential commitments, or a totally new sponsor looking for guidance and perhaps a packaged arts programme, then ABSA Consulting will charge you the rate for the job based on its hours of research and its lengthy documentation, prepared by still to be recruited internal consultants.

ABSA has always been a big player behind the scenes. It advised Digital when it launched its rescue programme for Sadlers' Wells based around dance, and helped English Estates with its important educational work. In future such time-consuming advice will be costed. ABSA's task is to ensure its hundreds of corporate members that they can still look to it for free day-to-day guidance on sponsorship matters.

*

The Barbican is the first arts organisation (festivals excepted) to take full advantage of the extra cash available under the re-vamped Business Sponsorship of the Arts scheme, which this year has £4.5m of government money to hand out as encouragement to arts sponsors. Since April the maximum top-up for an arts company with a sponsor in tow has increased from £25,000 to £35,000, and, more importantly, during a year it can make four applications (instead of two) and receive a maximum of £50,000 in state aid, double the old limit.

The Barbican secured its £35,000 when the German bank Norddeutsche put up the same amount to underwrite an exhibition of the work of Mucha, and quickly reached its £50,000 limit when Levi's backed the exhibition of photographs by Bill Brandt, which also opens this month.

So far nine arts companies have qualified for the £35,000 boost, mainly festivals, like the Brighton and the Covent Garden, but also exhibitions, like the Holbein show at the National Gallery of Scotland, backed by Capital House Investments, a first time sponsor. Another first time sponsor qualifying for £35,000 is BUPA, which is supporting the Council for Music in Hospitals in a number of events this year.

Applications for BSIS cash provide a good monitor of the state of the arts sponsorship industry. ABSA, which administers the scheme, is actually turning away more applicants this year, especially those arriving late. All told it expects to receive a record 600 requests this year, suggesting that arts sponsorship has ridden out the recession better than most.

*

Tate & Lyle, as a member of the Per Cent Club, devotes a proportion of its profits to good works, of which the arts merit 15 per cent. Most of this, £120,000 over the past three years, has naturally gone to the Tate Gallery, founded by Henry Tate in 1897.

The link is due to end next month but already the search is on for a continuing connection. In the past Tate & Lyle has sponsored the Friends of the Tate, providing the seed corn money which has enabled the Friends to grow in numbers and revenue. The Friends contribution to the Tate Purchase Fund now approaches £100,000, and included the commissioning of the Patrick Heron coloured glass window in the new Tate St Ives.

*

The London Philharmonic Orchestra has just returned from a twelve concert tour of South Africa. It is the first visit to the country by an important British arts company for many decades. The tour was sponsored by Nedbank, a leading South African banking organisation, for an undisclosed but "substantial" sum, presumably around £100,000.

The Proms/**Paul Griffiths**

Asko Ensemble

IF YOU schedule a programme of new music at ten on a Thursday night, you get the audience you might expect: this was a Queen Elizabeth Hall concert with the gloom and the boom of a nine-tenths empty Albert Hall around it. There at the middle the Asko Ensemble of Amsterdam were playing brilliantly under the young British conductor Jonathan Nott.

Of the four pieces, there were recent chamber concertos, all with the virtuoso soloist being chased and filigreed by musicians of similar skills and intensities. Ligeti's Piano Concerto came off best, perhaps because its fascinations drew the ear into intimacy through all the echoing space.

Ligeti has related his astonishing music of the last decade to fractal geometries, and the Piano Concerto supports that connection with its swirling detail, its ceaselessly reinterpreted patterns and its suggestions of things we know: Baroque toccatas, the exultant pulsations of Afro-Caribbean folk music, wan smiles of fading Romantic pathos, brassy jazz.

As this performance demonstrated, it is also a comedy especially for the percussionist, who tails the piano in a manner at once manic and silly, and who brings the whole thing to a sudden stop with a sharp knock on the woodblock. But everyone was on excellent form, from the racing-fingered Roland Pontinen at the piano to the poetic double-bass player.

The other mini-concertos both featured the violinist Irvine Arditti. Luca Francesconi's *Riti neurali* was again music of echoes, but more deliberately so, the work of a Berio pupil in having a soloist who is part Paganini, part folk fiddler playing into the reverberations of a small orchestra. Brian Ferneyhough's *Terrain*, new last year, lost most from the scale of the place. Mr Arditti's solo line, almost uninterrupted through the 12 minutes of the piece, was full of nimble wonder, but diluted by distance from fervour (the characteristic first marking is "tense, electrified") into something more like grace, as if the violin were a bird skimming over a landscape of rolling harmonic hills and fizzier things from an octet borrowed from Varèse's *Octandre*.

That homage was followed by the bursting, vital reality of Varèse in a performance of *Intégrales* which Mr Nott ably heaved and steered without a score through all its splendour, crackling percussion configurations and lonely, finely played oboe melody.

Theatre/**Malcolm Rutherford**

Hysteria at the Royal Court

ALMOST the best line in the new play at the Royal Court is the first. The central character sits motionless in his chair long enough to be convicted of hamming. Then he opens with: "If you are waiting for me to break the silence, you will be deeply disappointed."

This is also the last line of the play. For given that the central character is Sigmund Freud, you would expect a certain synthesis, synthetic or otherwise. In the meantime we have been on a rare helter-skelter that opens like a mystery-thriller, moves quickly into farce, then has long periods of semi-seriousness.

Enjoyment of Terry Johnson's *Hysteria* will depend almost entirely on your mood on the night. Having returned from duty at the Edinburgh festival, I was looking for fun and a touch of southern frivolity, and very good some of it turns out to be. It is pleasing to hear that Freud had recently been to see *Rookery Nook* in the West End and had laughed four or five times. Since laughter for Freud was clearly a serious matter, that is a lot.

I also enjoyed seeing Johnson emulate some of the best of the farce tradition: a naked girl, the daughter of the subject of one of Freud's case studies, hidden in the closet, and Salvador Dali, wonderfully played by Tim Potter, prancing about in his underclothes.

Alastair Muir

Henry Goodman (Freud, seated) and David de Keyser in Hysteria

The inevitable line takes a long time to come, but is worth waiting for. Old and doddery in London in 1939, Freud trips over the carpet. "It was only a Freudian slip," is the natural response. It is a pleasure, too, to find the Royal Court taking such an eclectic approach to its choice of plays. This is partly the same team that gave us John Guare's *Six Degrees of Separation* in this theatre: Phyllida Lloyd as director and Mark Thompson as an excellent designer of sets.

Others, however, may prefer the more serious parts which centre on Freud as analyst and theorist and possibly Freud as a fraud. It is alleged that he changed his views when he saw how oddly they fitted with his own family background.

I am unable to comment on how far that is true. The central theme that Freud and Dali were both frauds, though of a different kind, seems slightly implausible. Freud at least had a degree of seriousness which has passed into almost everyone's consciousness. Still, the equation between the two is something that theatre audiences in the right mood might like to discuss afterwards. There is also a Jewish doctor who goes on about Freud and Jewishness and a thesis that Moses was an Egyptian which, the doctor says, ought not to be published in the late 1930s. Some people might like to take that as a serious theme as well.

For my part, I preferred the funny bits. Henry Goodman is a compelling Freud, but the mix is not quite right.

Royal Court Theatre (071) 730-1745.

INTERNATIONAL ARTS GUIDE

■ BERLIN

BERLIN FESTIVAL

● This year's theme is *Japan and Europe*. New Symphony Orchestra of Tokyo gives a concert tomorrow at the Philharmonie. Ichikawa Ennosuke's Kabuki Theatre group gives performances at the Deutsche Oper from Thurs till Sun. Jiuta Mai Dance Ensemble can be seen at Schlosstheater Potsdam on Wed, and at Staatsoper unter den Linden on Fri and Sat. The Tokyo Ballet is in residence at the Deutsche Oper from Sep 21 to Oct 7. An exhibition entitled Japan and Europe 1543-1929 opens at Martin-Gropius-Bau on Sun, with more than 500 objects tracing the development of Japanese art and the influences which Japanese and European artists have had on each other.

● Claudio Abbado conducts the Berlin Philharmonic Orchestra tonight at the Philharmonie in a programme of Rakhmaninov and Tchaikovsky, with piano soloist Lilya Zilberstein. Other concerts at the Philharmonie and Kammermusiksaal this week feature Cherubini Quartet (tonight and Wed), Bavarian Radio Symphony Orchestra with Lorin Maazel (Thurs), Ensemble Modern (with Henze's new Requiem on Fri), Berlin Philharmonic under Claus Peter Flor (Fri and Sat), and Berlin Radio Symphony Orchestra with Vladimir Ashkenazy (Sun). Next week's programme includes concerts conducted by Klaus Tennstedt and Roger Norrington.

● At the Schauspielhaus, Heinz Holliger conducts the Berlin Staatskapelle on Thurs in works by Holliger, Berg and Mahler (with violin soloist Thomas Zehetmair), and Gustav Kuhn conducts Berlin Radio Orchestra on Sat in Rakhmaninov, Beyer and Brahms.

● L'Homme qui, Peter Brook's latest theatre piece, runs at Berliner Ensemble till Sep 15.

● The festival runs till Sep 30. The festival office is at Budapester Strasse 48 (information 254890 ticket reservations 2548 9100)

OTHER EVENTS

The 1993-4 season at the Komische Oper begins on Fri with the first night of Harry Kupfer's new production of Rimsky-Korsakov's Tsar Saltan. Repertory over the following two weeks includes Kupfer productions of Giulio Cesare, Gluck's Orfeo, Cosi fan tutte and Les Contes d'Hoffmann, all sung in German (229 2555). Staatsoper unter den Linden has Les Contes d'Hoffmann tomorrow and I Capuleti e I Montecchi on Wed and Sat (200 4762). A new production of Cabaret starts previewing at Theater des Westens on Sat, first night Sep 17 (3190 3193). The ensemble of the Deutsche Oper is in Japan until mid-October.

● Tickets and information for theatre, revues, concerts and nightclub shows available from City Center Theater und Konzertkasse, Kurfürstendamm 16 (tel 882 6563 fax 882 6567) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9286)

■ NEW YORK

THEATRE

● Later Life: A.R. Gurney's much-admired comedy about a man and woman who meet after a 30-year separation. Now previewing, opens on Thurs (Westside, 407 West 43rd St, 307 4100)

● The First Lulu: an adaptation of Wedekind's Pandora's Box, about an uninhibited sexual force that drives men and women to distraction in patriarchal Europe, starring Elise Stone (Bouwerie Lane Theatre, 330 Bowery, 677 0060)

● Einstein: a one-man show about the renowned physicist, written and directed by Joel Selmeier, starring Richard David Springle. Till Sep 18 (The Acting Company Studio Theatre, 420 West 42nd St, fourth floor, 718-852 5824)

● Angels in America: the first half of Tony Kushner's epic, freewheeling play about gay life, Reagan-era politics and Mormonism. Not to be missed (Walter Kerr, 219 West 48th St, 239 6200)

● The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

● Kiss of the Spider Woman: a Kander and Ebb musical, based on the novel by Manuel Puig, directed by Harold Prince with a star performance from Brent Carver (Broadhurst, 235 West 44th St, 239 6200)

● Tommy: a musical written and composed by Pete Townshend, based on the classic 1969 rock opera by The Who and directed by Des McAnuff (St James, 246 West 44th St, 239 6200)

● Fool Moon: a comic entertainment written by and starring David Shiner and Bill Irwin, with music by the Red Clay Ramblers (Richard Rodgers, 226 West 46th St, 307 4100)

● Oleanna: David Mamet's much-talked-about drama about a university professor and a young female student, with Jim Fragione and Mary McCann (Orpheum, 126 Second Ave, 307 4100)

● Blood Brothers: Willy Russell's musical about twins who, separated at birth, eventually meet and fall in love with the same girl (Music Box, 239 West 45th St, 239 6200)

MUSIC/DANCE

State Theater The first new production of New York City Opera's current season is Tippett's The Midsummer Marriage, first night on Thurs. Christopher Keene conducts a staging by Francesca Zambello. Repertory also includes Madama Butterfly, Turandot, Carmen and The Mikado (870 5570)
Avery Fisher Hall Harry Belafonte gives concerts on Thurs, Fri, Sat. The New York Philharmonic Orchestra launches its new season on Sep 22 with a Beethoven and Shostakovich programme conducted by Kurt Masur, with violin soloist Itzhak Perlman (875 5030)
Carnegie Hall The season begins on Sep 23 with a concert by the Philadelphia Orchestra conducted by Wolfgang Sawallisch, with violin soloist Midori (247 7800)
Metropolitan Opera The 1993-4 season opens on Sep 27 with a gala celebrating the 25th anniversary of the Met debuts of Luciano Pavarotti and Placido Domingo (362 6000)

■ PARIS

MUSIC/DANCE

● The Orchestre de Paris opens its 1993-4 season on Sep 15 at Salle Pleyel with the first of two programmes devoted to the music of Richard Strauss. The first programme (repeated Sep 16 and 18) features Maria Ewing in the final scene of Salome, while the second programme (Sep 22, 23, 25) features Margaret Price in the Four Last Songs. Next month's concerts are conducted by Giulini, Boulez and Bychkov (4563 0796

● The Opéra Bastille reopens on Sep 23 with a new production of Der fliegende Holländer, staged by Werner Herzog and conducted by Myung-Whun Chung, with Falk Struckmann in the title role and Sabine Hass as Senta. Roman Polanski's production of Les Contes d'Hoffmann is revived on Oct 9 with David Rendall in the title role (4473 1300)

● Felicity Lott stars in a new production of Der Rosenkavalier, which opens the Châtelet's season on Sep 24 (repeated Sep 27, 29, Oct 3 and 5). Adolf Dresen produces, Armin Jordan conducts and the orchestra is the Philharmonia (4028 2840)

● The dance season at Palais Garnier reopens on Sep 29 with a gala including choreographies by Bessy, Lander and Forsythe (4742 5371)

FESTIVAL D'AUTOMNE

Highlights of this year's festival (Sep 21-Dec 30) are Bob Wilson's stage adaptation of Virginia Woolf's Orlando starring Isabelle Huppert, Büchner's Woyzeck staged by Jean-Pierre Vincent, Giorgio Strehler's touring production of Goldoni's Le baruffe chiozotte and Peter Sellars' modern version of Aeschylus' The Persians. The dance programme features the Twyla Tharp, Lucinda Childs and Bill T. Jones companies, plus Jan Fabre and Anne Teresa de Keersmaeker. The music programme has an American slant, with a special focus on Steve Reich, John Adams and John Cage (4296 9694)

THEATRE

Théâtre de Gennevilliers opens the new season on Sep 15 with Shakespeare's King Lear, directed by Bernard Sobel (4793 2630). Théâtre Nanterre-Amandiers reopens on Oct 1 with Eugene O'Neill's Desire under the Elms, directed by Thomas Langhoff (4614 7000)

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4952 5356

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Samuel Brittan

How the wealth of nations changes

One advantage possessed by economic analysts at the heart of the US, well away from the short-term preoccupations of Washington and New York, is that they have more incentive to study underlying processes. The Federal Reserve Bank of Minneapolis takes advantage of its situation to do just this; and it devotes the spring 1993 issue of its Quarterly Review to a study of changes in the wealth of nations*.

The slogan of the growing gap between rich and poor nations has been with us for a long time. But the analysis in the review suggests that it is a highly misleading one. After carefully inspecting standard international data for the period 1960-85 it concludes that there is indeed a huge disparity in the performance output of different countries. The five countries in 1985 with the highest per capita real GNP had output 29 times as high as the five with the lowest real GNP.

For comparison, the per capita output of the most prosperous US state, Connecticut, was only twice as high as the poorest, which was Mississippi. On the other hand the disparity in output between the least and the most productive workers in the US, as in most other western countries, was almost as great as that between rich and poor nations. (Relative productivity is here measured by pay differentials, which would enrage some egalitarians.)

On the other hand there was no tendency for the international gap either to grow or to shrink. Measured in terms of relative GNP per capita, the gap was much the same in 1985 as in 1960. But this does not mean that countries were frozen in their relative positions. On the contrary, there were big changes in the identity of those at the top and bottom of the world distribution.

There are of course well-known difficulties in taking relative GNP figures as indices of living standards. It is doubtful if a city dweller in the US could physically exist on an income one twenty-ninth of the national average. But, for all their failings, the GNP estimates provide at least a starting point for analysing international differences.

DEVELOPMENT MIRACLES AND DISASTERS, 1960-85

Increases in relative wealth: Country	Factor change	Decreases in relative wealth: Country	Factor change
Saudi Arabia	3.32	Zambia	2.63
Lesotho	3.19	Mozambique	2.63
Taiwan	2.60	Madagascar	2.50
Hong Kong	2.59	Angola	2.38
South Korea	2.40	Chad	2.13
Egypt	2.38	Liberia	2.04
Congo	2.18	Ghana	2.00
Japan	2.10	Zaire	1.96
Singapore	2.09	Nicaragua	1.85
Syria	1.89	Afghanistan	1.75

Source: Federal Reserve Bank of Minneapolis

The table shows some of the main development "miracles" and "disasters". It is based on the relative wealth of each country, defined as the ratio of its GNP per head to that of the US. The Federal Reserve authors go on to define what they call the "factor change" as the ratio of relative wealth in 1985 to that in 1960.

At the head of the miracle countries comes Saudi Arabia, whose relative wealth has risen by a factor of more than three. One only has to utter the word "oil" and pass on. Next in the list is Lesotho in south-east Africa, which had an enormous growth opportunity, as in 1960 it figured as the poorest country in the world. The Congo is another surprising miracle case which must have started from a pretty low base. These examples show the snags that exist even in the most sophisticated of international league tables. The other miracle countries are more predictable: Japan and some of the south-east Asian "tigers", plus Egypt and Syria.

Among the development disasters where relative wealth fell was Zambia, which fell by a factor of more than two and a half. Sadly it is followed in the disaster league mostly by other African countries. The two non-African basket cases are Nicaragua and Afghanistan – both ravaged by civil war. There are no prizes for guessing which part of Europe might have graduated to disaster status if the tables could have been extended to 1993.

Explanations of these relative wealth changes are inevitably more speculative. The authors show once again that mechanistic models based on amounts of standardised labour and capital used do not explain comparative performance. The unexplained residual has often been attributed without adequate evidence to human capital, which is natural enough for writers working in higher education. But the Minnesota authors are unconvinced and suggest the missing factor is one that they call business capital. This is not the same as physical investment, but is some mixture of entrepreneurship and organisational skill.

The Minnesota attempts to model this factor as a kind of inverse of taxes on profit and capital is less convincing and is carried out in terms of abstract algebra rather than examination of actual data. Why do US economists have to downgrade history, culture and plain luck in an exaggerated attempt to be useful policy advisers?

But for all its imperfections, the Minnesota Review analysis is a big advance on the typical muddle-headed condemnation of the west for the poverty of the poorer countries or for the conventional guilt-ridden responses.

**Research Dept, Federal Reserve Bank of Minneapolis, PO Box 291, Minneapolis, Minnesota 55480-0291*

Britain, according to many trade unionists, is an increasingly unpleasant place in which to work. A shrinking number of employees, they argue, enjoys "steady jobs" offering security and prospects, while a growing army of workers – from highly skilled professionals to labourers – is subject to the hire-and-fire whims of hard-pressed, or plain ruthless, employers.

Much will be heard about this Britain at the 125th annual gathering of the Trades Union Congress which opens today in Brighton. But not many of the 1,000 delegates will be reflecting on why, if working life is so unpleasant, the number of people reaching for the protection of the trade unions is falling. Even in the late 1980s, when more than 1m jobs were created, the trend was downwards. Now, TUC-affiliated unions represent only 30 per cent of the workforce.

Moreover, the row over the return of the Electricians Union to the TUC and other domestic tiffs will distract delegates from pondering what trade unions have to offer their other customers: employers, not to mention the national economy in the latter 1990s.

One person with longer-term strategy on his mind is Mr John Monks, 48, the thoughtful new general secretary of the TUC, who promises a relaunch of his battered organisation and, he hopes, the whole trade union movement.

The arrival of a new leader is generating a flutter of optimism among the trade union elite that the movement can make itself more relevant. On the face of it, however, its prospects are gloomier than ever.

Despite the loss of political influence under Tory governments and the more restrictive legal framework of the past decade, British unions still have an influence greater than warranted by their actual numerical strength in large manufacturing plants and the public sector.

But that position is now under serious threat. Financial constraints, caused by falling membership, will be exacerbated by government moves to curb the automatic deduction of union dues from wages.

More worrying for the unions is the way in which the withdrawal by employers of union recognition, once the exception, is becoming common. The oil industry provides the latest example.

"In some workplaces, unions have become so marginalised that they are disappearing with scarcely anyone noticing. In many other workplaces the union presence is poised on a knife edge, with employers now considering whether the hassle of getting rid of them is worthwhile," says Mr Alan Cave, a management consultant and former head of research at the GMB general union.

On the lookout for the vision thing

David Goodhart on the need for fresh ideas at this week's annual gathering of the battered TUC

Tony Andrews

John Monks: thoughtful new general secretary of the TUC

Many would regard that view as exaggerated, but certainly some union officials fear the devolution of decision-making to local managers in the public sector will threaten this heartland of trade unionism.

In addition, in both public and private sectors, employers are increasingly removing their most-prized employees from collective bargaining and offering them individual contracts.

These trends towards derecognition may be irreversible, but there are other reasons for the decline of trade unionism which the TUC could address. In particular, union leaders need to improve their record of recruitment in those areas where new jobs are being created and among women, who are filling most new vacancies.

"Unions are still not female-friendly organisations and, until recently, they have done very little on pushing for equal pay," says one woman union activist.

The middle-ranking supervisor or lower manager of "middle England" – pinpointed by Mr Monks as another key group needing union support – also still regards the unions with suspicion.

"Ideally we would start again with a new name and without the cloth cap associations which the unions still have," says one TUC official. "This should be a great time for union recruitment. The fact that it is not is more our own fault than down to employers or the government."

Middle England is not at ease with the unions' collectivist traditions or its Labour party links. Mr Monks, unlike the leaders of some of the biggest TUC unions, is keen to distance the TUC from the Labour party and turn it into a much more apolitical lobbying organisation.

Even Mr Monks, however, is enough of a traditionalist to baulk at the argument that unions must accept the decline of collective bargaining and concentrate resources on assistance to individual employees, for example in negotiating individual employment contracts.

However, there is evidence that the tailoring of union activities to individuals has widespread support among union members. A 1992 survey by the Nupe public services union found that, even among relatively low-paid health service and local government workers, advice on disciplinary issues and grievances came ahead of pay bargaining on the list of reasons for joining a union.

Unions are already providing such legal services for many members and are effective at negotiating redundancy deals. Making a virtue of that and selling union membership as an individual's workplace insurance may run against the collectivist grain for many unions, but it may be a necessary ingredient for survival.

Yet to remain an effective mass-membership organisation, as opposed to just a political lobbying organisation as in France, will also require the union movement to keep at least tacit support from employers. That is a point Mr Monks acknowledges, boasting that some of the most efficient and successful companies in Britain recognise unions – including most of the UK's 50 leading exporters.

According to Mr Robbie Gilbert, head of employee relations at the Confederation of British Industry, unions still have a role in channelling the employees' "voice", especially where there are large groups of workers who do not qualify for individual treatment.

By increasing employee security, unions can also help in the management of change. At Rover Group, for example, the unions helped to negotiate a "no compulsory redundancy" agreement during the transition to Japanese-style working practices. That has helped to allow considerable flexibility within the company because employees do not fear losing their jobs. Mr David Bower, Rover personnel director, also reports record numbers of employee efficiency suggestions – which last year saved £10m.

Unions, say consultants like Mr Cave, can provide a useful pressure on employers by "whistle-blowing" on everything from cutting training budgets to poor health and safety standards. Union lobbying, even on non-employment issues, for example on higher investment in research and development, can make a difference inside companies without requiring a formal apparatus of worker representation.

Unions also have a potential to act beyond the confines of individual companies. Unlike most companies, unions have links across whole industries which they can use strategically, for example, by trying to establish a better trade-off between pay and jobs across a sector.

Mr Gilbert of the CBI suggests that unions could have a role in creating a better balance between employee security and labour flexibility. That could be achieved, he believes, be encouraging employees to develop mobile skills, rather than clinging to particular jobs. "That means unions lobbying companies and the government for the highest possible level of training and retraining so that, if people do lose their jobs, it is not a disaster because they are readily employable elsewhere."

This is not an easy agenda for unions. But there are some workplace trends in their favour. For example, the increased emphasis on teamwork production methods has the potential to increase shop-floor clout in large manufacturing companies.

The challenge for Mr Monks over the next decade is to ensure that union influence does not retreat – US-style – into a few ghettos in manufacturing and the public sector. This week he must show he has the vision and imagination to prevent that fate.

CHINA & EASTERN INVESTMENT COMPANY LIMITED

Preliminary Announcement of Final Results for the Year Ended 31st July, 1993.

	1993 US$	1992 US$
NET ASSETS	53,817,874	49,569,350
REVENUE	2,166,789	1,858,654
ADMINISTRATIVE EXPENSES	814,214	1,395,050
PROFIT BEFORE TAXATION	1,352,575	463,604
TAXATION	39	770
PROFIT FOR THE YEAR	1,352,536	462,834
SPECIAL INTERIM DIVIDEND – PAID	–	204,000
FINAL DIVIDEND – PROPOSED	1,224,000	204,000
PROFIT FOR THE YEAR – RETAINED	128,536	54,834
EARNINGS PER SHARE	US$0.066	US$0.023
FINAL DIVIDEND PER SHARE	US$0.06	US$0.01
NET ASSET VALUE PER SHARE	US$2.64	US$2.43
OTHER TRANSFERS TO RESERVES		
Net profit on disposal of investments	US$2,518,671	US$406,164
Increase in valuation of investments	US$1,601,317	US$13,804,961

EARNINGS PER SHARE
The calculation of the earnings per share is based on profit for the year of US$1,352,536 (1992: US$462,834) and on 20,400,000 shares (1992: 19,952,429 shares) in issue.

TAXATION
The charge represents overseas withholding tax.
During the year the majority of the Group's income was not assessable to Hong Kong Profits Tax as it was generated from offshore activities and capital transactions. The estimated assessable profit has been wholly absorbed by taxation losses brought forward and tax which would otherwise have been payable at 17.5% (1992: 17.5%) amounts to approximately US$13,000 (1992:US$13,000).

EXTRACT FROM THE CHAIRMAN'S STATEMENT
China & Eastern's eighth year has seen the Company's net asset value increase to US$53.82m (US$2.64 per share) an 8.6% advance from the US$49.57m (US$2.43 per share) reported last year.
The strong growth in China & Eastern's earnings has continued with the profit attributable to shareholders increasing by 192% to US$1.35m from US$0.46m in 1992. This growth, which arises from both an increase in revenue and a decrease in expenses, allows the Board to recommend a final dividend of US$0.06 per share.
The most significant development during 1993 has been the listing of Chinese companies on the Hong Kong Stock Exchange through the issue of 'H' shares. At the time of writing, four Chinese companies have been listed in Hong Kong raising US$350m in the process. China & Eastern has taken advantage of this opportunity to increase its exposure to Chinese companies.
Notwithstanding the concerns over the potential overheating of the Chinese economy and the lack of any significant progress in the Sino-British discussions over democratic reform, market sentiment remains strong in Hong Kong. Given the level of liquidity available, in part due to the negative real interest rates in Hong Kong and the expansion of China's capital base, the Board looks to the future with confidence and believes that there will continue to be excellent investment opportunities for the Company through which the shareholders of China & Eastern can enjoy long term capital appreciation.

FINAL DIVIDEND
Your Board recommend the payment of a final dividend of US$0.06 per share in respect of the 1993 financial year (1992: US$0.01 per share).

REDEMPTION, PURCHASE OR CANCELLATION OF SHARES
There was no redemption, purchase or cancellation of shares by the Company or its subsidiaries during the year.

By order of the Board
M.G. Bond
Company Secretary
3rd September, 1993

The Annual Report and Accounts will be posted to shareholders at the end of September, 1993 and will be made available to the public at the Company's Registered Office; 8th Floor, Prince's Building, Hong Kong, its Registrar; Central Registration Hong Kong Limited, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong and its U.K. Transfer Agent; Barclays Registrars Ltd., Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU. The Annual General Meeting will be held at 11:00 a.m. on 9th November, 1993 at 155 Bishopsgate, London EC2M 3XY.

The Registrar will close at 4:00 p.m. on 25th October, 1993 and will re-open at 9:00 a.m. on 10th November, 1993. All transfers must be lodged with the Registrar no later than 4:00 p.m. on 25th October, 1993.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Acid rain plan would not hit coal

From Gill Witter.

Sir, In Bronwen Maddox's article, "Dilution measures for acid rain" (August 31), she indicates that fears about the future of the coal industry lie behind the UK government's reluctance to commit itself to adequate reductions in sulphur emissions at last week's pan-European negotiations in Geneva.

It was for this reason that the World Wide Fund for Nature (WWF UK) commissioned its own last-minute research. That research reveals that the future of the British coal industry and effective measures to reduce acid rain deposition are not mutually exclusive. It shows that, even with 80 per cent emission reduction (the level recommended by scientists), the UK could burn 37.5m tonnes of British coal without committing itself to flue gas desulphurisation (FGD) construction. With 12 GW of FGD (the original UK commitment), the UK could burn 46.2m tonnes of British coal (50 per cent higher than is likely to be used in 1993-94).

The report also shows that there could be up to 30 per cent more acid rain damage in some parts of Europe if the UK government insists on reductions of 70 per cent rather than 80 per cent in sulphur emissions. This discrepancy could spell disaster for sensitive European ecosystems. Under such circumstances Britain will surely have earned its reputation as "the dirty man of Europe" and encourage yet more "drittsekk" type comments.

Gill Witter,
pollution officer,
WWF UK,
Panda House, Wayside Park,
Catteshall Lane,
Godalming, Surrey GU7 1XR

Merit in paying MPs by performance

From Mr David Mannering.

Sir, You reported on September 1 that the royal household is to go on to merit pay ("Queen decrees pay by merit") and that Norman Lamont is to work two or three days a week in the City to supplement his MP's salary of £30,854 ("Lamont returns to City as Rothschild director").

In the interests of providing value for money to the electors/taxpayers and performance incentives for MPs, has the House of Commons considered introducing performance-related pay for itself? Pay could be positively linked to the hours an MP spends providing "exceptional service" in representing constituents, and inversely related to the time devoted to company directorships, journalism, writing memoirs and sundry other pursuits. Most MPs, presumably, would welcome such an arrangement.

David Mannering,
2 Stapleford Close,
Chippenham, Wiltshire

Trends indicate engineers not demoralised in UK

From Mr Denis Filer.

Sir, Your correspondents, Nicholas Cox and T Taylor (Letters, September 3) paint an overly pessimistic picture of the current situation of the UK's engineers.

The most recent salary survey carried out by The Engineering Council published in October last year, showed that the average earnings of chartered engineers had increased by 28.6 per cent over the previous three years to £31,768. Eight per cent of chartered engineers earn more than £50,000 a year.

The survey also showed that the profession's self-confidence is recovering from the dip it took in the middle of the last decade. Four out of every five chartered engineers would now commend the profession as a career to a young man and only a few percentage points less would do so for a young woman – figures that contradict any notion of a generally demoralised profession and confirm its enlightened attitude towards promoting itself as a career option for women.

As for innovation, there are several bodies operating in this area and it would not be to anyone's benefit to duplicate those efforts. However, at the younger end of the scale, where we have a free hand, the Engineering Council's Young Engineers for Britain competition this year attracted more than 700 entries, double last year's total. Many of the professional engineering institutions also have extensive programmes of seminars and conferences providing education in relevant technical and managerial issues.

No one can deny that the UK's manufacturing base has been hard hit in recent years. But there is still much constructive activity aimed at counteracting that trend on the part of the engineering profession and there are positive reasons why engineering is an attractive, stimulating and rewarding career option.

Denis Filer,
director general,
The Engineering Council,
10 Maltravers Street,
London WC2R 3FR

Trade as a means to green ends

From Ms Halina Ward.

Sir, I refer to your leader "Green thoughts and trade policy" (September 1). Trade can be of environmental benefit. But it does not make sense to use this fact to deny the wisdom of trade restrictions to achieve environmental ends.

The Montreal Protocol is a classic example of an international instrument which "entangles" trade and environment policy to achieve its objective. That objective is not to impose developed countries' domestic environmental policies on developing countries. It is to protect the ozone layer for the benefit of all countries.

The Multilateral Fund and the technology transfer provisions of the protocol encourage developing countries to accept its terms. Crucially, the protocol also discourages non-participation by means of restrictions on trade in ozone-depleting substances with non-parties.

Neither the integration of trade with environment policies nor the provision of compensation by way of funding mechanisms provides complete responses to disputes arising out of the existence of differing environmental standards. What is needed is a more holistic policy approach.

We also need to ask what kind of structures would be most effective in settling disputes arising out of different environmental standards. What should be the relationship between law and politics in those structures? Most controversially, what role should they accord to individuals as opposed to states?

Halina Ward,
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Danger of making excessive claims about value of brands

From Mr Nicholas Beale.

Sir, The method described in the article on the brand valuation of Intel (Technology, September 2) is fundamentally flawed. The returns a business earns above its cost of capital are not earned by brands alone but by the whole set of current intellectual assets of a business: brands, skills, technologies, channels of distribution and supply, publication rights, systems and other information. In Intel's case there is an investment in technology that dwarfs the advertising and tangible asset investments.

Excessive claims about brand valuation are damaging, because they risk misleading investors and because they distract attention away from the real issue of understanding the investment that companies have made in their entire set of intellectual assets and the returns achieved by them. A sounder approach is described in the current issue of Professional Investor. UK investors and managers urgently need to understand these issues if we are to be competitive in the information economy of the 21st century.

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Mr Murdoch and the law

MR RUPERT MURDOCH'S latest trail of deals and manoeuvres has reopened some old questions. Britain's Labour party wants him referred to the Monopolies and Mergers Commission, having branded his simultaneous expansion of News Corporation's satellite TV interests and the price war he has launched in the UK broadsheet newspaper market "an affront to democracy".

However overexcited these comments may appear to those who have not, like Labour politicians, endured years of abuse from Mr Murdoch's titles, this renewed debate is of interest across the EC, where structures of media regulation are bending beneath the pressures of changing consumer taste and technological advance.

In Britain, Mr Murdoch faces two complaints: that by cutting the price of The Times from 45p to 30p, News is aiming to kill off the rival Independent and that the expanded BSkyB (of which Mr Murdoch owns half) when added to his 35 per cent share of UK national newspaper sales, makes him too powerful. BSkyB, in which Pearson, owner of the Financial Times, holds a significant stake, last week launched a new 14-channel pay-TV service, and is forecast by some to overtake the terrestrial ITV commercial network in terms of revenues within the next three years.

Predatory pricing

Sir Bryan Carsberg, director-general of fair trading, says he is watching the newspaper price war, which Mr Murdoch has also ignited in the tabloid sector, with interest. His office's definition of predatory pricing – the deliberate acceptance of losses in the short term with the intention of eliminating competition so that enhanced profits may be achieved in the long term – looks *prima facie* as if it may indeed apply to the battle between the loss-making Times and the struggling Independent. The OFT has recently been active in pursuing bus companies accused of predatory actions, but in examining the newspaper industry, it will also note how The Independent worked to ensure the demise of the Sunday Correspondent or, to take an earlier example, the lengths to which Associated Newspapers went to kill in its infancy Mr Robert Maxwell's rival to the London Evening Standard. Predatory behaviour, resulting in short-term losses, does not have to include a price war.

The question of the concentration of media ownership and the related regulatory framework is more complex and important.

What can be stated with confidence is that the law is outmoded. This imposes detailed restrictions upon the ability of newspaper companies to own more than 20 per cent of terrestrial television and radio (even local radio) companies and yet sets no limit on the ownership of satellite TV.

Yawning gap

In the press, there is no general law on concentration of ownership, although the 1973 Fair Trading Act requires that any merger involving circulations of more than 500,000 should trigger an MMC investigation. In practice, this has not impeded Mr Murdoch, who has twice argued that the only alternative to his purchases (of first The Times and The Sunday Times, then of Today) would have been the closure of newspapers, thus enabling ministers to waive the rules.

The yawning gap in these arrangements, however, is the lack of guidance on what amounts to an unacceptable accumulation of power across the whole of the mass media. UK law recognises, in the case of the press, that these matters exceed in importance normal competition issues, since a democracy needs "accurate presentation of news and the free expression of opinion".

The time has thus come for the UK authorities to wrestle again with this principle in the new media world which Mr Murdoch has done so much to develop. It would be wrong to prejudge Mr Murdoch's case, since the barriers to entry in satellite television are still lower than in terrestrial broadcasting. Equally, however, it is unreasonable that terrestrial ITV companies continue to face costly regulatory requirements, for example on the national origin of programmes, from which their satellite competitors are exempt. The most promising direction for change is to liberalise the over-regulated, rather than the converse, but a coherent approach is now a matter of urgency.

Blair House and the French PM

FRANCE AND Ireland have sometimes made common cause *against a common "Anglo-Saxon"* enemy, but Mr Peter Sutherland, director-general of Gatt, who visits Paris this week, is not that kind of Irishman. Some of his French hosts, indeed, will see him as little better than an Anglo-Saxon messenger boy, although the message he brings – that last year's Blair House agreement between the EC and the US on agricultural trade cannot and must not be reopened – *has the support of the vast* majority of the 106 countries taking part in the Uruguay Round negotiations.

His task of getting this message through to the French has been made more difficult by the German chancellor who, after talks with the French prime minister the week before last, declared publicly that Germany too had "problems" with the Blair House agreement, and implied that he expected a new or supplementary agreement to be negotiated. Several of his ministers and spokesmen hastened to explain that this was not what he had really meant, and Mr Kohl himself allayed Mr Sutherland's anxieties on the point last week. But clearly he did mean to signal at least some sympathy for the French position. Bilateral Franco-German talks on the subject have now started, although the Germans insist that their object is to find a solution which leaves Blair House intact.

Hard to accept

The trouble with this approach is that no solution can both modify the agreement (as the French insist it must) and not modify it. But politics obeys different laws from logic. Nearly a year of intensive *surenchère* (mutual outbidding) by French politicians in denunciation of the agreement has left them with a real, if unnecessary, problem. Even a prime minister of Mr Edouard Balladur's unprecedented popularity would find it very hard now, after all that has been said, simply to accept the agreement without any kind of quid pro quo.

What then can be done to make this unwelcome pill easier for the French body politic to swallow? As far as agriculture is concerned it would be unrealistic to expect any further concessions from the US. At most the EC might go through the motions of demanding, *or asserting, a right to take* some kind of protective or compensatory action in the event of very large and sudden movements in prices, or in currency parities. But any tangible satisfaction will have to come from within the EC itself, and take forms which do not infringe the agreement.

Commercial policy

The French government might reasonably ask its partners for an undertaking that they will resist any US demand for guarantees that food imports will supply a specific share of the EC market. Less reasonably, but on past form not unrealistically, it may expect a direct transfer of financial resources, in other words a bribe. Almost certainly it will be encouraged to bribe French farmers from its own national resources, provided it does so in ways that neither stimulate increased production nor subsidise lower prices.

As far as possible, however, France's partners should seek to shift discussion away from agriculture on to the broader questions of commercial policy which France has raised. The demand for the EC to equip itself with more credible powers to retaliate against arbitrary protectionist measures taken by the US or other powers is not unreasonable, so long as those powers are not abused to placate producer lobbies within the EC; and the demand that the EC press for an effective international body, to make sure that new trading rules are actually observed, is one that all sincere free traders should support.

In raising such questions France is behaving more like the great industrial power it actually is, and less like the carefully fenced rural reserve which is how it sometimes sees itself. In the last resort, the job of breaking the French obsession with subsidised agriculture is one for France's own leaders. Behind a smokescreen of demagogy, they have in fact moved a long way in that direction. In the present *conjoncture* they might be able to go further if at the same time they relaxed their monetary policy, giving industry a better chance to absorb the labour which, willy-nilly, will continue to leave the land.

Rock solid against Yeltsin's reforms

John Lloyd examines the ongoing battle for political power that is stifling Russia's economic development

The vice-president of Russia, a long-time opponent of the president with whom he was elected a little over two years ago, is suspended from his duties by the president because he is charged with corruption on a massive scale. His allies in parliament declare the suspension invalid and refer it to the constitutional court.

Though the president's men protest that this is merely a head of state protecting Russia's reputation against allegations of wrongdoing in high places, the move is widely seen as the opening of the "September offensive" Mr Boris Yeltsin promised against his many foes. The offensive has as its aim the breaking of the Gordian knot of political tensions and enmities now so large and tight that a chainsaw, not a sword, is required.

Russians and western observers are both tired of Mr Yeltsin's promised "decisive" movements against his opponents. He has so far lacked the will to smash through the existing constitution to clear the space for a new one: if this is the long-promised offensive, say Moscow political circles, so be it, but no smart money is on it.

No wonder he hesitates: the Russian president has a queue of immense problems that awaits his attention. Tackling any one of them in a decisive way would shatter the unstable stasis which is Russian politics at present.

He has, in the first place, an incoherent and internally warring government: not only are the extremes within it accusing each other of corruption, but so are nominal allies – Mr Vladimir Shumeiko, first deputy prime minister suspended from office at the same time as Vice-President Alexander Rutskoi, had earlier accused Mr Sergei Glaziev, the trade minister and a moderate reformist, of corrupt practices.

Further, it is riven on economic policy: Mr Oleg Lobov, another first deputy premier appointed by Mr Yeltsin from the ranks of his old friends, is pushing hard for the doubling of state investments, even as Mr Boris Fyodorov, the finance minister, struggles to contain the budget deficit within a limit of 10 per cent of gross national product.

The government's grip on the country's regions and republics is weak: the shaping of transparent, equally applied laws and taxes is rendered impossible because those at the top levels of power in Moscow are competing for allies in the regions and cities with promises and deals.

Private business, in some areas, booms – but often it is the boom of machine guns, as contract killers remove rivals or non-payers of protection money. Around 10 bankers have been murdered in the past few months, together with a handful of foreign businessmen. These assassinations put an effective wall around the private sector, advertising it as a place only for the greedy, the corrupt and the well guarded.

To be sure, the profit motive appears to be ingrained: and on the evidence of former prime minister Mr Yegor Gaidar's Association of Private and Privatising Businesses, which held a conference last week, many state managers are becoming interested in profit, stable prices and investment.

To be sure, too, businesses are being created and some infrastructure investments are being made in some locations, such as St Petersburg, Ekaterinburg, Rostov. But the all-consuming struggle for power, like a great wen, drains energy and resources from all over the country.

The government survives, in part, by placating the political and economic actors. Mr Vladimir Mau, a former government adviser, mentions the example of Ulyanovsk region receiving a special dispensation to keep 50 per cent of the value-added tax it collects, rather than the stipulated 20 per cent. Word is spreading among other regional leaders, and they are lobbying for the same treatment. Parliament is discussing a law to give the regions discretionary powers on what taxes to remit to the centre – precisely the issue seized on by the *putschists* in August 1991 as a reason for their attempt to stop the disintegration of the then Soviet Union.

A weak, split government cannot hope to fulfil the conditions laid down by the Group of Seven leading industrial nations, and administered by the International Monetary Fund, for the payment of assistance. At the end of August, Mr John Odling-Smee, the IMF's chief interlocutor with the Russian government, told it that unless progress was made on curbing the budget deficit, lowering inflation (now said, by Mr Shumeiko, to be heading for 30 per cent a month once more) and delivering on a reasonable reform programme, the second half of the $3bn special fund would not be paid this autumn.

This quiet indication is an admission of failure by both Russia and the G7. It was only in the spring that a new headline figure, of $44bn, was unveiled as the western package to save Russia. In July the figure was confirmed by the G7 leaders in Tokyo.

Now, say western diplomats and international economists, the G7 is studying the figures – especially the amount of western funds ending up in Swiss bank accounts – and toning down the rhetoric. The political consequences of this tacit suspension of support for the reform strategy threatens the further existence of the tiny band of radical reformers within the cabinet itself.

This may mean that the G7 – most of whose members were sceptical about the US-led $44bn package in any case – has given up its faith that rapid reform is possible. Diplomatic conversations refer increasingly to the lack of a real consensus for change, and are replete with comparisons with those Latin American countries, such as Mexico and Argentina, which managed to produce solid bases for radical action only after a sufficiently large section of the political class had become convinced there was no alternative, and had in turn produced a government committed to such a policy.

In Russia, the initial Gaidar-led team, whose members were hot-eyed for reform, has been whittled down to a few weary individuals doggedly fighting for what they can win and ceding what they cannot. All of the economic indicators, save the stability of the rouble, which has remained at just under 1,000 to the dollar for nearly two months, are turning against them. General Winter, that scourge of attacks from the west, again approaches.

Mr Yeltsin, the inheritor of all the centralist, authoritarian instincts of Russian political and civil societies, remains the key to action. He has a strategy of sorts: to share state power not with the parliament but with a Federation Council composed of regional and republican leaders who will support his plans for new parliamentary elections and a new constitution. It cannot be arrived at constitutionally and it lacks many of the attributes of formal (and informal) democracy. But it may be an effective, if blunt, instrument for breaking through to conditions within which democracy could be constructed.

He has also, over this past weekend, bolstered his position with that substantial part of the political class which sees him as too complaisant and weak, by appearing to force Ukraine's leadership to sell its half of the divided Black Sea fleet and send back the nuclear warheads on Ukrainian territory to Russia. This takes the wind out of the sails of the nationalist opposition, and increases the chances that at least the three Slav states of Russia, Ukraine and Belarus – with most of the Central Asian countries and possibly others among the former Soviet republics – will agree later this month to huddle together under Russian economic, security and political hegemony. This partial reconstitution of the union would increase Mr Yeltsin's standing – though it would further add to Russia's enormous economic burdens.

But even if this were to be achieved, the Russian president must still surmount major problems of decisiveness, stamina and belief. He must muster large amounts of the first two to take on a well-entrenched, many-tentacled opposition in the middle of a prolonged slump, and push a programme which means further sacrifices. For that, he must believe in the ultimate rightness of a radical programme. But what Mr Yeltsin believes is a real puzzle: time and again, he makes decisions based on what appears to be a genuinely liberal world view; time and again, his actions, either of commission or omission, contradict such a view. Thus, when once more he faces a decisive choice, we cannot know how – or if – he will finally make it.

Bronwen Maddox argues that some environmentalists' claims should be treated with caution

Greens' bogus science

Public mistrust of science was lamented once again by the British Association for the Advancement of Science at its jamboree last week in Keele, Staffordshire. Should the association then welcome the way that environmental issues are popularising science?

Enrolment on "environmental science" courses is growing, warnings about the ozone layer abound in suncream advertisements, and seven-year-olds tyrannise their parents about recycling kitchen rubbish.

For their part, the "green" pressure groups are increasingly couching their campaigns in scientific language. Their traditional "rubber suit" brigades, who made their reputations through direct action such as plugging the outlet pipes of chemical companies, have been joined by squads of PhD holders. The better-funded groups such as Friends of the Earth and Greenpeace now issue sheafs of closely analysed reports on the impact of toxic chemicals or radiation.

That research has helped the credibility of the groups' campaigns. But many of the claims made by environmentalists in the name of science should be treated with caution. The arguments put forward often lack intellectual rigour, and they indulge the pressure groups' worst vice: the reluctance to rank some environmental threats as more significant than others.

One of these misleading arguments is the suggestion that it is impossible to prove that any substance is "harmless". Just because no ill-effects have been spotted, say some environmentalists, does not mean there are none: they may have been overlooked, or may not emerge for decades.

This uncertainty, the argument runs, stems from the way that scientific knowledge is built up. Knowledge constantly evolves, as hypotheses are tested against evidence and retained, modified or rejected. Therefore, because accepted theories may be amended in the future, no scientific "proof" of the safety of a particular substance can be certain.

As a result, they say, a new "green" approach to science is needed. In an article entitled "How science fails the environment" in the New Scientist magazine in June, Ms Sue Mayer, director of science at Greenpeace UK, and Mr Brian Wynne of the University of Lancaster said that "greener science" would force the polluter to prove a chemical was safe, not make the environmentalist prove it was harmful. They demanded that science embrace the "precautionary principle" that "the environment must not be left to show harm before action is taken".

There is a legitimate place for the precautionary principle – as part of policymaking

This position is nonsense. Science is inescapably an empirical exercise, but that does not mean that scientific knowledge is impossible. Some theories have persistently shown themselves effective at explaining why things happen. Mayer's and Wynne's proposals do not "shift the burden of proof" to the polluter – they simply destroy any notion of proof.

The unfortunate consequences of this approach are considerable. It allows anything to be described as a pollutant, even if damage has not been observed. It also makes it impossible to call one pollutant less damaging than another – what about the as-yet-unknown long-term effects? For this reason, many leading environmental groups were reluctant to acknowledge that the Shetlands oil spill in January might be less damaging than the Alaskan one in 1989, even though storms dispersed the Shetland slick quickly.

The approach can also cause "legal mayhem", in the words of one leading City solicitor. The precautionary principle is incorporated in a treaty on sea pollution signed by North Atlantic governments and in parts of UK food law. But the "green science" approach makes it hard for governments and companies to demonstrate that they have taken "enough" care.

There is a legitimate place for the precautionary principle – as part of policymaking. The principle, which was endorsed by last year's Rio Earth Summit and is part of UK policy, recognises that scientific proof often takes time to establish.

For example, it is not yet clear whether recent changes in the earth's temperature should be attributed to emission of "greenhouse gases", and scientists may take several decades to work out whether more warming is likely. Governments, however, have judged that it is worth acting now because the effect of warming on climate and agriculture would be unwelcome. That decision stems from political judgment about the risk which society will tolerate – it is separate from the science of establishing whether theories are correct.

The green groups are right to point out that research into the environmental impact of chemicals could often be more thorough. But the approach that "you never know what the long-term effects might be" gives undue weight to the pessimists. It is certainly not scientific, and it does little to help people distinguish needless worries from real threats.

OBSERVER

Quayle hunts the clients

■ Good to hear that Dan Quayle is earning a crust, most recently as chairman of FX Strategic Advisers, a joint venture the former US vice-president has set up with FX Concepts, itself a New York-based consultancy and money management outfit that specialises in foreign exchange.

Karl Jackson, Quayle's old national security adviser who is also managing director of FX Concepts, says the idea of the offshoot is to extend the group's clientele into Asia.

"It doesn't take a brain surgeon to figure out that's where the economic growth is going to be over the next decade. He [Quayle] is very interested in that part of the world."

Jackson, an Asian specialist and a professor at Berkeley before he came to Washington to join the Bush administration, soon "latched on to Quayle as someone to lead the charge regarding policies in that part of the world".

More recently, he says with refreshing honesty, it has been Quayle that has done the latching on to him.

Undeterred by Quayle's complete lack of experience in the foreign exchange world, Jackson points out: "He gets on very well in Japan, he is very well-received."

In other words, the jokes don't flow quite as they do at home?

"There is a veneer of politeness in their culture."

Fireman's fight

■ Guinness Mahon merchant banker Bruce Fireman's experiences with the broadcast media have hitherto tended to be bathed in tears rather than *champagne*.

His first flop was at university, when he launched a weekly, New Cambridge, to take on the well-known Varsity. But it folded, with a £700 loss, as the 49-year-old Fireman now recalls.

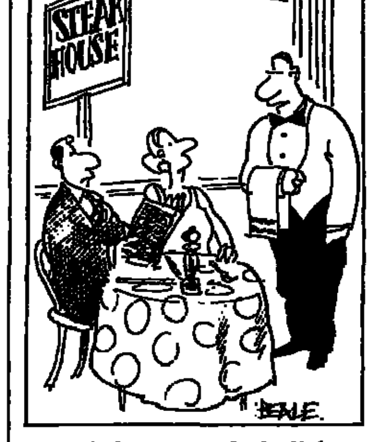
In 1980 he was involved in a bid for the Southern ITV franchise and lost – although he did make five grand by selling his consortium's registered name of TVS to the winner.

During the 1991 ITV franchise round, he managed to push his next consortium, White Rose Television, over the programme quality threshold, only to be outbid by Yorkshire.

In between, during a 12-year stint at Charterhouse, he helped raise the venture capital to launch The Independent newspaper, but broadcasting franchise came there none.

Finally, Fireman has arrived. For it was he who masterminded the London News Radio bid that has ousted LBC from its 20-year lock-hold on London's commercial radio franchises.

"I've got it right at last," purrs the future deputy chairman of LNR.



'Chef recommends the '87'

Last waltz

■ When Paul Keating drops by Balmoral in the middle of this month, his purpose is to let Queen Elizabeth know, doubtless in his ever-diplomatic way, that his country wishes to, er, dispense with her services.

Should there be a lapse in the conversation, Her Majesty might, however, care to point out to the Australian prime minister just how difficult it would be to cast off all ties with the old country.

When the Ozzies revert to their unofficial national anthem – Waltzing Matilda – they will still be singing to the music of an 18th-century army recruitment song, which originated in Rochester, Kent.

Devised for the Duke of Marlborough's campaigns in the war of the Spanish succession, its opening words roll along to the same old tune: "And come, be a soldier with Marlborough and me..."

Taken down under by the convicts, it was left to "Banjo" Patterson to swap the lyrics. Or so says Jonathan Marcus, the BBC World Service's defence correspondent, who has just started a 10-part history of warfare, From Hoplite to Harrier.

Shell-like

■ A new generation of advertisers is going to work on an egg. Many years on from the little lion, ink-jet technology now enables packagers to print the "best before" date on the eggs themselves; hence, following government recommendations that all eggs be so labelled, the advertising industry is scrambling to use this domestic hoarding.

And once European Community agriculture ministers have discussed egg-labelling at their meeting in Brussels later this month, a call for mandatory dating across the continent could open a huge market.

Domino Printing Sciences, which has pioneered the process in the UK, says common standards will have to be adopted by packaging companies to make advertising worthwhile.

But it predicts that cooks will soon be cracking egg-verts to make their *chefs d'oeuvres*.

Sole of discretion

■ While most of Asil Nadir's personal effects went under the hammer at Christie's last month, a rather less public tender of his wardrobe has also been in progress, arranged by auctioneers Edward Symmons & Partners.

From the catalogue, it would appear that Nadir's waistline was almost as volatile as the price of Polly Peck shares, with suits ranging from 34 to 38-inch waist to be disposed of.

More intriguing, however, is the collection of shoes, mostly size 10, but one pair size 9 and one size 12.

Would that Hush Puppies could speak.

Boom, boom

■ As Renault and Volvo get hitched, a reader ponders a suitable name for the combine. Revolvaut is already doing the rounds, but how about VRUM, or Volvo/Renault United Motors?

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Recent rally in London equity market under threat

US investors turning from UK to continental Europe

By Terry Byland in London and Patrick Harverson in New York

US INVESTORS who helped drive the London stock market to new peaks in the last days of August are turning their attention to other European bourses, threatening to undermine the UK equity market's recent rally.

Concern over US investment diverting to other European markets, particularly France, Spain and Italy, may cast a shadow over the UK market this week after contributing to a 1.4 per cent fall last week.

Some US funds have doubled their rate of investment in European equities since the widening of ERM currency bands at the beginning of August.

The ensuing falls in French and German interest rates have reduced the relative advantages of UK equities, according to London and New York analysts with leading US investment banks.

US securities analysts and fund managers in New York, Boston and London said they are now attracted to continental European markets after their recent buying spree in London.

Mr Marcus Grub, of Salomon Brothers International in London, said he favoured France, Spain, Italy and Germany over the UK. Goldman Sachs International, is advising US investors to be "overweight Europe", but puts the focus on France and Spain rather than the UK.

US based analysts are cooling on UK stocks. Mr Kevin McCarey, who runs a $150m pension fund that invests in European equities for the Boston-based Fidelity group, says he has been shifting some money out of the UK recently.

Mr McCarey is hoping to find bargains in continental Europe, especially Italy, Spain and Germany. He explained: "Interest rates are the highest in Spain and Italy; therefore they have the most room to come down."

Mr Heydon Traub, a fund manager with State Street Global Advisers in Boston who runs a $2bn global equity fund that is 50 per cent invested in Europe, and 10 per cent in the UK, has not taken any money out of the London market recently because the fund has been underweight in UK stocks for a long time.

Mr Traub said: "The UK went through some tough economic times over the last couple of years, and the market really never went down much to reflect that, so from our point of view it has been overvalued for a year or two. Given that, we don't expect it to be a strong performer."

Mr Traub said that in spite of strong earnings this year UK shares would still not be as attractive as other European stocks: "We expect UK earnings growth to be really strong, but the price you have to pay for that is pretty high now. You don't have to pay up as much in other markets like France."

Boost for AT&T in fight for UK market

By Andrew Adonis

OFTEL, the UK telecommunications regulator, has given the strongest signal yet that American Telephone & Telegraph will be allowed to compete with British Telecommunications in the £15bn ($23bn) a year UK telecoms market.

Oftel has invited AT&T to a seminar next month called to discuss the terms on which competitors should be allowed access to BT's network. The regulator said AT&T had been invited "purely for the wealth of its experience in the US" on the way rival telephone companies reimburse one another for using their networks.

However, the invitation will be seen as a boost for AT&T in its campaign to win government approval to compete in the UK. The Department of Trade and Industry is considering an application from AT&T for a public operator licence.

The DTI set a precedent for AT&T's entry by recently granting draft licences to three foreign groups to compete with BT, the dominant British telecoms group. BT itself has applied to the US Federal Communications Commission for a licence to allow it to buy and sell services in the US.

The costs of installing a new telecommunications network are huge. So to compete effectively with BT, rival operators require access to its national telephone network to carry their services. The Oftel seminar will examine the terms on which BT should allow rivals access.

AT&T is the only operator without a UK licence to be invited to the Oftel seminar, at which BT will give further details of its proposal to publish tariffs to competitors for connection to its network.

Several regional US operators – all making substantial investments in the UK's growing cable telephone industry – have made representations on BT's outline proposal. They will have to make do with a few of the five places at the seminar allocated to the Cable Television Association.

In its submission to Oftel, AT&T called for BT to be obliged not only to publish standard connection tariffs, but also to disclose the relevant costs behind them.

Oftel's draft proposals favoured "accounting separation" between BT's retail and network businesses. Most of the operators favour more specific regulation of bottlenecks to competitive entry, particularly terms of access to the local telephone network.

EC to probe antitrust allegations

Continued from Page 1

soft has deliberately attempted to limit competition in the market for personal computer operating systems – programs that control the basic functions of a PC. Microsoft, whose DOS operating system is used on about 90 per cent of all PCs, offers PC manufacturers discounts if they agree to pay an operating system licence fee for all of the computers of a particular model sold.

Novell claims that this "per-processor licensing" arrangement excludes competition from its alternative DR-Dos program.

Novell is also understood to charge Microsoft with illegal "tying" of sales of one product to another. Novell alleges that Microsoft introduced "intentional incompatibilities" in Windows, the popular PC graphical user interface program, to give PC users the impression Windows would not work properly with competitors' systems.

Mr Bill Gates, Microsoft chairman, has previously denied both of these charges, which were investigated by the FTC. He has also accused Novell of "heavily promoting these issues in an attempt to force Microsoft to raise its Dos prices in order to enable Novell to more effectively compete".

Romanians seek a short cut to riches

By Virginia Marsh in Bucharest

MORE THAN 2m Romanians – 10 per cent of the population – have sunk cash into a pyramid money-multiplying scheme at the Transylvanian town of Cluj.

The scheme is known as Caritas, although it has no connection with the international charity of the same name. It takes deposits, with a promise to pay back eight times the amount in three months.

Tales of "Caritas millionaires" have spread around Romania, encouraging thousands of people to descend on Cluj, in Romania's western province, in the hope of cashing in and hedging against raging inflation.

While most Romanians grapple with soaring prices, declining living standards and meagre pay, the cash-rich people of Cluj cannot spend their money quickly enough.

Investors deposit a minimum of Lei20,000 ($23), nearly a third of the average monthly wage. Three months later, Caritas, which has in the meantime collected from new depositors, pays out eight times the original investment, less a commission. Many people are leaving their money in the scheme in the hope of bigger gains to come.

Head-scarved peasant women, many clutching bags full of money, wait in the four-day queue outside the sports hall where Caritas is based, alongside groups of gypsies and young men from Bucharest furtively counting large bundles of notes. Even the Church is involved: nuns and priests ply the exits with collection boxes.

All hope to benefit from Caritas, even though most say they know it will eventually collapse.

"Caritas is our only hope of surviving the winter," says a woman who had travelled 300km with her elderly father to deposit their monthly salary and pension in the scheme. "We can't keep up with the price rises. Inflation is 260 per cent a year, but we only get 50 per cent interest in the savings bank."

The riches Caritas has brought to many in Transylvania have made its founder, Mr Ioan Stoica, a former bookkeeper, a national hero.

Diplomats say the scheme looks like a classic money-laundering scam but the Romanian central government, which since July has levied on Caritas a new 18 per cent value-added tax, has done little to discourage it.

Some local officials, however, are highly critical of it and fear the consequences when the inevitable collapse comes.

THE LEX COLUMN

BNP's private hopes

Since BNP will be the first in the looming wave of French privatisations, it stands to reason that investors will be offered an attractive deal. Frantic preparation is now under way on the offering, which looks likely to be targeted heavily towards French retail investors. Keeping international buyers short would be one way of whipping up appeal. As with Spain's Argentaria sale earlier this year, their enthusiasm could spill over into the domestic market, creating a virtuous circle of demand.

Blow away the froth, though, and a more complex question arises. Having virtually doubled over the past year, BNP's investment certificates are discounting a substantial earnings recovery. The market assumed that, by announcing a 42 per cent increase in first-half bad debt provisions, Mr Michel Pébereau, BNP's new chairman, was clearing the decks for such a recovery. Provisions could again be high in the second half, though, given BNP's heavy exposure to the small business sector which is taking the brunt of the current downturn.

With the authorities still reluctant to cut interest rates, it could be 1995 before BNP delivers a solid earnings recovery. Admittedly, it may be striking when it comes, simply because peak provisions will have been so high. Even if Mr Pébereau only manages a modest clampdown on costs, there could also be significant growth in operating income.

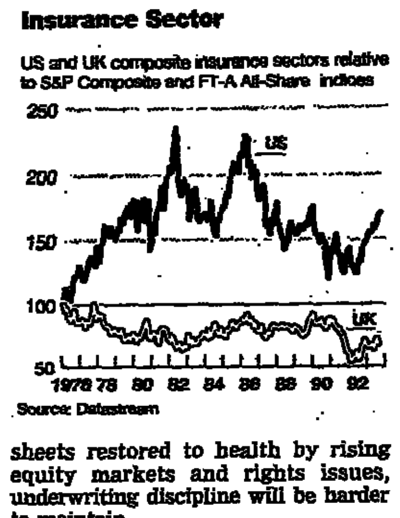
The danger is that the shine could be taken off by the plan for BNP to raise additional capital to purchase a further 10 per cent of the UAP insurance company. Such a move fits with official policy of giving privatised companies an interlocking network of stable shareholders, but it makes little commercial sense when BNP already has its own life insurance operation. Above all, it risks being dilutive: UAP's longer term recovery prospects are considerably less exciting than those of BNP itself.

Insurance

It takes a leap of faith to believe that UK insurers can maintain the level of insurance profits evident from their interim results. Since investment returns are likely to be lower than in the past, and the memory of recent underwriting disasters are still fresh, good intentions abound. But even two consecutive years of underwriting profits would be an achievement not managed in the 1980s. With balance

Insurance Sector

US and UK composite insurance sectors relative to S&P Composite and FT-A All-Share indices



Source: Datastream

sheets restored to health by rising equity markets and rights issues, underwriting discipline will be harder to maintain.

What can not be achieved by management might eventually be achieved by regulation. Prudential guidelines in the US discourage companies from backing insurance liabilities with risk assets such as equities and property. There is sense in the argument: an October storm combined with a stock market crash last year would have left more than one UK insurer exposed in the US. That the devaluation of sterling has helped recapitalise the sector is of little comfort.

Similar regulations at home would mean profound change. Sun Alliance, for example, invests around 15 per cent of reserves against future claims in equities – a sum equivalent to around twice shareholders' funds. Robbed of that gearing to equities, insurance profits would assume greater importance. In theory, there is no reason why that should matter, but the evidence is to the contrary. UK insurers have lagged the stock market over the last 20 years, while their US counterparts have outperformed.

UK utilities

The kerfuffle over whether Ofgas was or was not trying to curb British Gas's international expansion must have sent a shiver through the company's boardroom. Despite hopes that a new chairman and director general might strike up a better working relationship, it has raised the spectre that tensions between the two sides may remain. Such conflict in the gas industry contrasts with other utilities and raises concerns about consistent regulation. Companies often complain that regulators' decisions are not explained and vary between industries. Under the circumstances, calls for a "super-regulator" to oversee the system are understandable. Yet that would add to bureaucracy and increase the risk of industry regulators being undermined by companies appealing over their heads. More palatable is the idea that both regulator and company should be required to disclose more information. The fairness of each case could then be more easily determined. True, the company might be more likely to ask judicial review of decisions, but to do so it would have to publicly disclose its case – including presumably any commercially sensitive information.

Another way to alleviate tension might be a kind of "small claims court" to resolve local disputes at a level below that of a full Monopolies and Mergers Commission enquiry. The Office of Fair Trading might act as honest broker and prevent the kind of nuclear warfare which broke out between British Gas and Sir James McKinnon.

Cadbury Schweppes

Perhaps Cadbury will be have more to say about Dr Pepper/Seven-Up's poison pill when it delivers its interim results this week. Meanwhile the market is left with the impression that Dr Pepper has dealt it a serious blow. Cadbury's £150m purchase of a further 20 per cent of Dr Pepper last month only made sense with the prospect of close operating collaboration between the two companies. If they are at loggerheads over ownership, the chances of that seem remote.

Yet the commercial advantages of getting together would be considerable for both. Cadbury could strengthen its distribution in the US and Dr Pepper would gain access to overseas bottlers who were not involved with either Pepsi or Coke. Dr Pepper's latest outburst may simply reflect its management's desire to avoid ceding control, at least on the cheap. If so, an eventual compromise seems likely.

The elegant solution would be for Cadbury to sell its US carbonates business to Dr Pepper in exchange for shares and a seat on the board. That would give it a large stake, which it could equity account, in a business with 15 per cent of the US soft drinks market, while sparing the need for a rights issue to fund a full hostile bid. The drawback is that such a half measure could underline Cadbury's lack of critical mass in the world market.

Israel confident on peace deal despite haggling

Continued from Page 1

a simultaneous deal on recognition. Mr Peres has said the agreements are not dependent on each other. The Palestinians, however, believe that recognition is a vital prize and should be accorded before the final signing of the outline agreement in Washington, partly to help the PLO muster broader support for the deal itself among its diverse Arab and Palestinian opponents.

Meanwhile, in Israel, at least 40,000 people chanted their backing for the government in a rally organised by the Peace Now movement in Tel Aviv on Saturday.

Israeli settlers and other right-wingers hostile to the deal plan to respond tomorrow with a mass demonstration in Jerusalem.

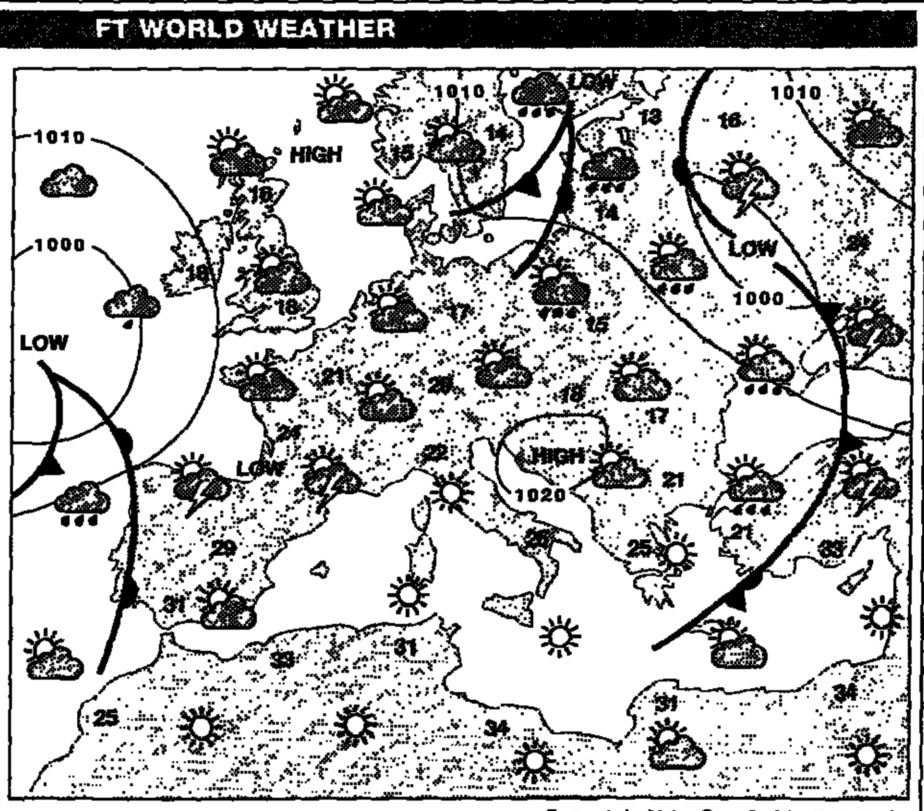
FT WORLD WEATHER

Europe today

Former hurricane Emily which has become an ordinary depression is moving over the Atlantic towards Ireland as a high pressure area that has been over the British Isles for weeks shifts toward the east. As a result, clouds and afternoon showers will arrive in western coastal areas, but sunny periods will continue in most of north-western Europe. Southerly winds will increase to near gale force in Ireland, Brittany and north-western Spain in the evening. Low pressure over the Pyrenees will cause thundery showers to develop in northern Spain and south-western France. Elsewhere around the Mediterranean it will be sunny. Meanwhile, eastern Europe will continue to have thundery showers.

Five-day forecast

The remnants of Emily will move over the British Isles while weakening. It will be rainy and windy in north-western Europe, but temperatures will increase. More thundery showers will develop in Spain, southern France and later over the Alps. High pressure over Greece and southern Italy will keep conditions settled and sunny in the eastern Mediterranean countries. High pressure will bring improving conditions in eastern Europe later in the week.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	sun	39
Accra	fair	29
Algiers	sun	33
Amsterdam	fair	18
Athens	sun	27
B. Aires	sun	21
B.ham	fair	18
Bangkok	thund	31
Barcelona	fair	27
Beijing	sun	30
Belfast	cloudy	17
Belgrade	fair	20
Berlin	shower	17
Bermuda	fair	31
Bogota	fair	19
Bombay	cloudy	30
Brussels	fair	19
Budapest	sun	18
C.hagen	fair	16
Cairo	sun	34
Cape Town	fair	17
Caracas	fair	27
Cardiff	fair	18
Chicago	shower	18
Cologne	fair	19
D' Salaam	thund	27
Dakar	cloudy	28
Dallas	fair	34
Delhi	thund	28
Dubai	sun	38
Dublin	cloudy	17
Dubrovnik	sun	23
Edinburgh	fair	17
Faro	fair	25
Frankfurt	fair	20
Geneva	sun	23
Gibraltar	fair	29
Glasgow	cloudy	17
Hamburg	cloudy	17
Helsinki	shower	11
Hong Kong	cloudy	31
Honolulu	fair	32
Istanbul	thund	21
Jersey	fair	18
Karachi	fair	33
Kuwait	sun	45
L. Angeles	sun	27
Las Palmas	sun	27
Lima	shower	19
Lisbon	cloudy	24
London	fair	19
Lux.bourg	fair	20
Lyon	sun	26
Madeira	fair	26
Madrid	fair	29
Majorca	sun	29
Malta	sun	29
Manchester	cloudy	17
Manila	cloudy	31
Melbourne	fair	16
Mexico City	fair	22
Miami	thund	32
Milan	fair	22
Montreal	sun	21
Moscow	thund	16
Munich	fair	19
Nairobi	shower	23
Naples	sun	26
Nassau	thund	33
New York	fair	27
Nice	fair	24
Nicosia	sun	30
Oslo	fair	19
Paris	fair	21
Perth	cloudy	17
Prague	fair	16
Rangoon	cloudy	28
Reykjavik	cloudy	12
Rio	cloudy	20
Riyadh	sun	41
Rome	sun	26
S. Frsco	fair	21
Seoul	fair	27
Singapore	shower	30
Stockholm	shower	14
Strasbourg	fair	22
Sydney	cloudy	16
Tangier	sun	25
Tel Aviv	sun	32
Tokyo	shower	27
Toronto	rain	21
Tunis	sun	31
Vancouver	fair	23
Venice	sun	22
Vienna	fair	19
Warsaw	cloudy	15
Washington	fair	28
Wellington	fair	10
Winnipeg	fair	17
Zurich	fair	18

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1993 INTERIM RESULTS

Operating profits up 70%.

Promising outlook.

	1993	1992	1992
	Half Year	Half Year	Full Year
Operating profit	£51.5m	£30.3m	£155.6m
Profits before taxation	£46.3m	£34.6m	£150.8m
Earnings per share	6.2p	4.4p	19.3p
Earnings per share – adjusted	5.6p	3.0p	18.4p
Dividends per share	5.375p	5.375p	12.0p

The results for the year 1992 are an abridged version of the full accounts which received an unqualified report by the auditors and have been filed with the Registrar of Companies. The half year figures are unaudited.

·PEARSON·

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INSIDE

Stockholm blesses car group marriage

Sweden's centre-right government has given its blessing to the full merger, expected to be announced early this week, of Volvo, the country's premier manufacturing company, with Renault, of France. "Volvo is very important to the Swedish economy, but this is a market-oriented government," said one official. Page 16

AMD under Intel shadow

The latest microprocessor chips from Advanced Micro Devices will incorporate Intel technology at the centre of a legal battle between the two Silicon Valley chip makers. AMD's sales of Intel microprocessor clones have boosted earnings, but legal disputes have cast doubt over the future. Page 16

NatWest's capital twist

National Westminster's sensitivity about its low capital ratio has caused a disagreement with the Bank of England. NatWest was keen to avoid putting up capital backing for some of its undrawn credit facilities, but it was told by the Bank that such facilities could *not be zero-weighted for the* capital ratio calculation. Page 14

Floating to avoid cramp

It took Graham Wilson two attempts to buy out Parkdean Leisure, which operates caravan and chalet holiday parks in the UK. But now the buy-out structure is cramping growth and Mr Wilson's escape route is a flotation, planned for next month. Page 14

Through the 6% barrier

THE US bond market reached a historic landmark on Friday when the yield on the benchmark 30-year Treasury issue fell below 6 per cent for the first time in 16 years. But Wall Street Cassandras are beginning to ask how soon the remarkable rally will go into reverse. Page 18

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 15.9, according to IBES, the consensus estimates service (last week: 15.6). This compares with an IBES estimated p/e for the "500" of 21 (20.6) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 20.27 (20.48).

Sale of gold fixers shakes up old club

By Kenneth Gooding, Mining Correspondent

WHEN two out of five members of an exclusive club want to quit, questions are inevitable. That is what is happening at the London Gold Fixing whose five members fix the gold price twice daily.

Deutsche Bank, Germany's biggest bank, said on Friday that it hoped to buy Sharps Pixley, a bullion house that is one of the five gold fixers. A month ago, Republic National Bank of New York, part of the international group controlled by Mr Edmond Safra, the Swiss-based Lebanese banker, revealed it planned to buy Mase Westpac, another member of the fixers' club.

It was widely known that Sharps, owned by the Kleinwort Benson merchant banking group, was for sale. Similarly, London dealers were concerned about Mase Westpac, owned by Westpac, Australia's biggest bank which has been restructuring. There is relief that powerful new owners are ready to stand behind these long-established businesses.

London boasts that it does more physical gold business than any other financial centre. But that business has slowed to a trickle and, without activity, bullion houses have little chance of making profits. The recent gold price surge was mainly based on options-related activity. Higher prices depressed demand for physical gold in key areas such as the Middle and Far East.

The rally took gold from a seven-year low of $327 a troy ounce in January to $406.70 on August 2, its highest since the Gulf war in 1991. Another sell-off last week sent the price back to $364.25 in London on Friday.

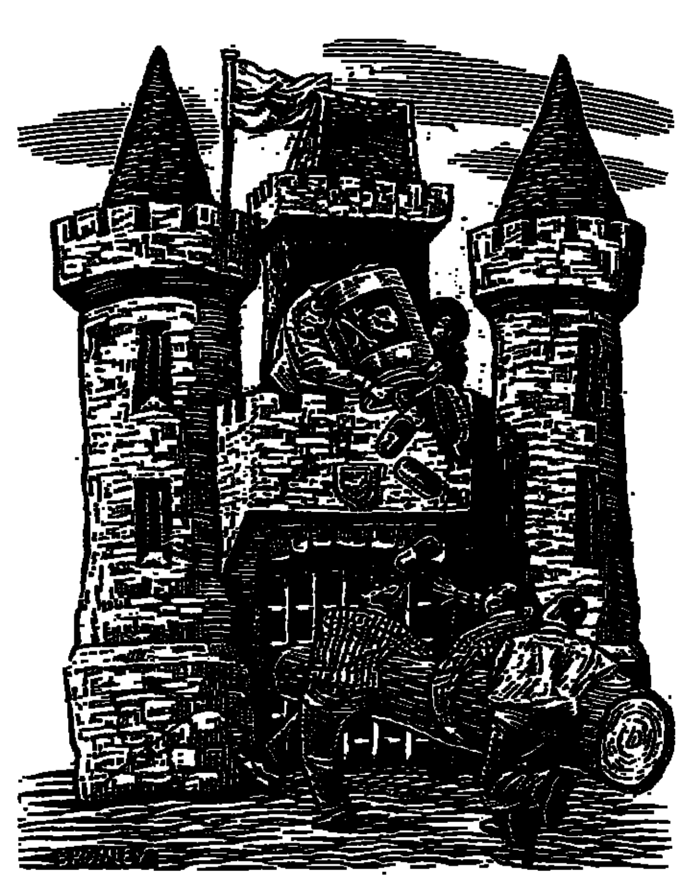
There are fears that disillusioned New York investors will drive gold down further after today's Labour Day holiday.

Such movements matter little to Deutsche Bank. It claims to be one of the three largest traders in South African gold bullion, to have 50 per cent of Germany's gold trading business and an important position in the Australian gold market. If it acquires Sharps, it will add market-making in London where it now only trades precious metals.

Also, for what promises to be a relatively small price, Sharps will *give Deutsche a ring-dealing* membership of the London Metals Exchange, where base metals prices are fixed, and membership of the New York Commodity Exchange.

Richard Waters examines shareholder suspicion of anti-takeover devices

Poison pills lose none of their potency



It could be another sign that takeovers in the US are coming back into fashion. The poison pill, a takeover defence that became one of the most potent symbols of the 1980s battle for corporate control, made a notable return last week as Dr Pepper, the US's third-largest soft drinks group, armed its defences against the UK's Cadbury Schweppes.

The fact that companies rarely adopt such poison pill defences these days could be partly explained by the fall-off in predatory bids. However, there is a more powerful reason: most companies already have them.

No less than 331 of the companies in the S&P 500 have pills in place, most dating from the mid- to late-1980s. They follow a number of patterns, but all have the same ultimate objective: to deter unwanted bidders either by restricting their voting rights or diluting their stake by offering shares cheaply to other shareholders – the route taken by Dr Pepper.

Add in the companies located in states that have takeover protection enshrined in statute, such as Delaware, and 87 per cent of listed US companies have some form of defence.

Such devices still arouse passionate shareholder antagonism. The United Shareholders Association *pressure group promptly* denounced Dr Pepper's move, saying it was designed to protect incumbent management rather than shareholder interests.

Could such antipathy be misplaced? Experience from the last merger and acquisition wave suggests that takeover defences do not stop takeovers, and may actually force aggressive bidders to pay more for their acquisitions.

Certainly, poison pills did not stand in the way of the five biggest takeovers or mergers in the 1980s. RJR Nabisco, SmithKline Beckman, Kraft, Squibb and *Warner Communications all had* takeover defences in place: all were eventually dropped by the companies' boards to allow the deals to be finalised.

Research published earlier this year by two economists from the University of Rochester in New York indicated that bidders have to pay an average premium of 30 per cent to acquire a company without a poison pill. Buying one with a poison pill in place adds 18 per cent to the premium.

Such evidence is not conclusive, warns Mr Robert Comment, one of the authors. However, it at least seems that poison pills do not stand in the way of takeovers: companies' share prices do not suffer after they have adopted a pill, and those with pills are just as likely to be taken over as companies without them, according to the research.

Nonetheless, a low-key war against poison pills continues. Most anti-takeover devices have a 10-year life, so few have had to be renewed so far. Some institutional shareholders have forced their companies to put their existing pills to a shareholder vote, and others are reported to have used pressure to stop pills being adopted in the first place.

Even if shareholders vote against a pill, it is likely to have little effect. Unlike Canada, US boards can simply ignore their shareholders' wishes. Only a few – such as Westinghouse Electric earlier this year – have dropped pills in recent years.

Dr Pepper said it would not submit its pill to shareholders for approval, adding that the measure was adopted to protect the interests of those same shareholders. Not surprisingly, big investors bristle when companies start suggesting that they are better guardians of shareholders' interests than the shareholders themselves.

Lex, Page 12

Cadbury fails to sweeten up Dr Pepper

DR PEPPER/Seven-Up and Cadbury Schweppes have often eyed each other longingly but seem unable to agree who should wear the trousers. Whether the US company is determined to stay independent – or merely playing hard to get – is as uncertain as the ultimate intentions of the UK group.

Cadbury, which raised its holding in Dr Pepper to 25.9 per cent last month by buying a 20 per cent stake from the Prudential *insurance company, has not* ruled out further share purchases eventually. But its immediate aim is further co-operation.

That suggestion has been coolly received by Dr Pepper, which has indicated that its idea of closer links would involve taking control of Cadbury's north American beverages business. Dr Pepper makes most of the UK company's soft drinks concentrates in the US and distributes some of its brands there.

What is beyond dispute is the industrial logic favouring a link-up. Added to Dr Pepper's 10.6 per cent of the US soft drinks market, Cadbury's 3.4 per cent would create a force better able *to stand up to Coca-Cola and* PepsiCo, the industry leaders. A deal would provide much needed sales channels and distribution power for Cadbury's US soft drink sales, which rely on a fragmented network of small bottlers. In return, Dr Pepper's portfolio would gain from the addition of Cadbury's profitable range of niche brands, including Schweppes, Sunkist and Canada Dry.

Elsewhere, the two companies' strengths are reversed. Cadbury's operations in Europe, Australia, Africa and Latin America would benefit Dr Pepper, which is weakly represented in international markets, where Seven-Up in any case belongs to PepsiCo.

Though Dr Pepper is highly profitable, its expansion is constrained by heavy debt, the legacy of a 1986 leveraged buy-out in which Cadbury participated. The UK company, by contrast, would bring to any deal a robust balance sheet and strong cash flow.

Nonetheless, many analysts think Cadbury would be pressed to pay the £1.5bn or more needed to buy the rest of Dr Pepper. Some think a better option would be to trade control of its American drinks business for a bigger stake in the US company.

But any such outcome would require the pair's mutual attractions to prevail over suspicion of each other's motives. As Mr *David Lang, of stockbrokers Hen*derson and Crosthwaite, says: "They are natural bedfellows, but neither wants to be date-raped."

Guy de Jonquières

Reed to purchase airline guides

By Raymond Snoddy

REED Elsevier, the international publishing and information group, has finally managed to purchase Official Airline Guides for $417m cash.

"It's third time lucky," Mr Peter Davis, chief executive of Reed Elsevier, said yesterday.

Reed International tried to purchase OAG, which provides subscription-based airline schedules and hotel information for the travel industry and business travellers, in 1987 but the then owners Dun & Bradstreet decided not to sell.

A year later the business was sold to Robert Maxwell's Maxwell Communication Corporation for $750m, with Reed the underbidder at less than $500m.

OAG operates mainly in the US through publications such as OAG Desktop Flight Guide, OAG Pocket Flight Guides and Travel Age and Frequent Flyer magazines. Reed Elsevier already owns OAG's rival, the ABC World Airways Guide, which is strong outside the US.

The deal represents the largest disposal so far of Maxwell's US interests by joint administrators Price Waterhouse.

Reed has not bought OAG's *central database. To save costs*, the process of data collection for OAG and ABC, based in Bedfordshire, will be integrated. The OAG brand name will be retained as well as separate sales and marketing teams at the group's Chicago headquarters.

The deal gives Reed Elsevier a near worldwide monopoly of printed airline guides, although they are increasingly available in electronic form. The company faces growing competition from the computerised *reservation* systems operated by groups of airlines, such as Sabre in the US and Amadeus in Europe.

Mr Davis argued successfully before US monopoly authorities that bringing OAG and ABC under common ownership would extend the life of independent travel information.

"The task is to demonstrate to the airlines that the merger is in the interests of the business as a whole by becoming more efficient, more streamlined and not taking advantage in terms of pricing," he said yesterday.

OAG's 1992-93 turnover was $129.5m (£86m) with pre-tax profits of $44.8m. The sale will involve OAG Inc going into liquidation for Reed to buy assets. Trading will be unaffected.

A new route to Emu offered by inflation goals

The European Community's monetary committee meets in Brussels tomorrow, giving officials a first chance to pick over the remains of the European exchange rate mechanism.

While there has been little official comment on the ERM's future since the near collapse of the system and the adoption of 15 per cent fluctuation bands last month, attitudes have been polarising among those concerned with international monetary policy making.

France and Belgium still hanker after narrow fluctuation margins: an attachment illustrated by Belgium's decision last Thursday to raise short-term interest rates to protect the Belgian franc on the very day that the government announced a sharp increase in unemployment to 14.1 per cent *in August from* 13.5 per cent in July.

Elsewhere, however, there is a rapidly dwindling faith in narrow bands as a way of securing price stability or providing a "glide path" to economic and monetary union (Emu).

Officials and economists do want some monetary discipline in Europe, however. A free for all, with the attendant risks of competitive devaluation and eventual inflation, could seriously disrupt the European single market as well as damage hopes of eventually moving to Emu.

So if narrow bands are not the answer, what should be put in their place?

The debacle in the ERM and the realisation that freely flowing capital movements could undermine any attempt to rebuild the old structure have prompted a growing interest in those countries that manage their domestic monetary affairs through inflation targets.

New Zealand and Canada pioneered the *use of inflation* targets to determine monetary policy and have so far operated them with success. Britain followed suit last autumn after sterling was forced to quit the ERM. Other countries have also adopted targets: Sweden converted to the system at the beginning of this year.

Mr Lars Svensson, professor of international economics at Stockholm University and an adviser to the Swedish central bank, says Sweden, which previously had linked its krona to the Ecu, realised it had overestimated the capacity of fixed exchange rate systems as a *means of promoting stability.* "Monetary stability and credibility need to be built at home," he says.

Economics Notebook

By Peter Norman

But how can domestic inflation targets replace an exchange rate regime covering a number of countries, or point the way forward to Emu?

The answer could lie in a judicious mixture of *minor* alterations to the Maastricht Treaty and peer group pressure among the EC countries.

The treaty could be strengthened by adding a specific goal for member states of price stability (usually defined as 0 to 2 per cent consumer price inflation). The convergence criteria already define objectives for inflation, interest rates and budget deficits, but only in relation to other member countries and not by any absolute standard.

EC member states, setting their inflation targets with the aim of achieving price stability, would have to accept scrutiny of their policies by other member states.

For example, a country might decide to slash its interest rates by 3 percentage points to boost growth, producing a sharp fall in its currency. It would have to explain to fellow EC members how this squared with its inflation target. If it could convincingly demonstrate that the action was justified, all would be well. If however, such a move presaged rising inflation, the others could exert pressure on it to keep its house in better order.

If the EC member states pursued such policies they should gradually achieve economic convergence and be in a position some years hence to move to Emu with its single *currency and central bank.* Because there would be no narrow ERM bands, there would be no obvious target for speculative operators, such as the New York-based hedge funds, to attack.

One problem is that the EC's experience with peer group pressure has been mixed. Existing surveillance procedures in the monetary committee and the economic and finance ministers' council have had only limited success in steering EC economies towards convergence.

However, the community could strengthen peer group procedures by adapting the planned European Monetary Institute to monitor and comment on member states' policies. The EMI is due to take over from the EC central bank governors' committee at the start of next year to help prepare for a single currency and central bank by the end of the *decade. As things stand*, the near collapse of the ERM threatens to leave the EMI high and dry.

A straw poll of continental economists and officials last week showed considerable interest in such ideas. One senior Italian official said inflation targeting was "the logical and reasonable way forward".

But those advocating inflation targeting and peer review by the EMI said the EC member states' central banks should be independent, because only then would the peer review procedures be sufficiently rigorous.

Central bank independence might pose a problem for the UK, which has so far refused to give independence to the Bank of England.

The idea of inflation targets could also run into problems with the Bundesbank, which argues that a central bank cannot target inflation in the way that it can target a monetary aggregate. But the Bundesbank law sets an objective for the bank of price stability, suggesting that the German central bank's philosophy is not too far out of line with the aims of an inflation target strategy.

France would be sure to have big objections. It is the most attached of all the big economies to exchange rate stability. Its monetary authorities have invested immense prestige in the Maastricht process and the promise that it offers of diluting the Bundesbank's control over Europe's economic future.

But an EC-wide monetary policy based on inflation *targets has a lot going for it: how* else can Europe move towards Emu without falling prey to Mr George Soros and his ilk?

FTC to look at Merck bid for Medco

By Richard Waters in New York

THE planned $6bn takeover by Merck, the US's biggest drugs company, of Medco Containment Services, the country's largest mail-order drugs distributor, has run into a potential setback with the Federal Trade Commission's indication that it plans to scrutinise the deal more closely.

An FTC request to the two companies for more information about the merger was made at almost the last possible moment under the Hart-Scott-Rodino anti-trust regulations. The waiting period under the regulations, which would otherwise have expired last Friday, will now stretch until at least 20 days after the two companies respond to the FTC's queries.

Merck, which announced the news after the stock market had closed on Friday, said that the request for more information had been made only late in the afternoon and said it *had not yet seen details of the* FTC's inquiry. It added, though, that it was confident the deal would go ahead in the fourth quarter of the year, as originally planned.

The takeover has aroused concerns among some competitors, who fear the deal could cut off an important distribution channel. Medco has said that it will continue to distribute other companies' drugs, although it expects Merck's products to account for a larger proportion of its sales.

The deal is also subject to approval by Medco's shareholders.

This announcement appears as a matter of record only

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Bank questions NatWest loan weighting

By Scheherazade Daneshkhu

NATIONAL Westminster's sensitivities about its low capital ratio led it into disagreement with the Bank of England over the risk weighting of some of its credit facilities, it emerged yesterday.

The bank was keen to avoid having to put up capital backing for some of its undrawn credit facilities, understood to include financing for English China Clays, the building materials group, and Rhône Poulenc, the French chemicals company. But it was told by the Bank of England that such undrawn facilities could not carry zero-weighting for the purposes of calculating its capital ratio.

NatWest's tier one capital rose from 5.2 at the end of 1992 to 5.5 according to its interim statement for the first half of 1993. Yet this is still relatively low for a large clearing bank. The figure was only achieved by having the results reviewed by the auditors so that retained interim profit could count towards the ratio.

It is the only bank with which the Bank of England has differed over the interpretation of the complicated rules on undrawn credit facilities. NatWest declined to comment.

Undrawn credit facilities of up to one year carry a zero weighting. The problem arises if they are rolled forward during the year. They are only then regarded by the Bank of England as eligible for zero weighting if the lender undertakes a full credit review of the whole transaction which includes the right to cancel the facility.

The Bank of England has recently relaxed these rules slightly, but it still insists on lenders obtaining a right to cancel the existing facility, unless it is rolled forward in the last 30 days of the one year period.

Sogo stake in Criterion

By Scheherazade Daneshkhu

SOGO UK Ltd, the subsidiary of the Japanese retailer, has acquired a 50 per cent stake in Criterion Developments Ltd from its joint venture partner Mountleigh, the property company which went into receivership in May, 1992.

CDL owns the Criterion building on Piccadilly Circus in the heart of London's West End. Sogo made its first UK investment when it entered into a joint venture agreement with Mountleigh in December 1990, buying a 50 per cent stake for £30m.

Mountleigh went into receivership with debts of £590m. Mr Tim Hayward and Mr Stephen James, partners of KPMG Peat Marwick, joint administrative receivers, warned at the time that the disposal of Mountleigh's £400m UK property portfolio could take years.

Mr Hiroo Mizushima, president of Sogo Co Ltd, said that the company's full acquisition of the London site was an important element in Sogo's international development.

Molins pension surplus split

The £38m surplus on the UK pension schemes of Molins, the tobacco machinery and packaging group, has been split between the schemes' members and the company.

The 6,000 members stand to gain an average of 10 per cent enhancement of their benefits from roughly half the surplus, while Molins has received £11.8m after tax which it will use to reduce group borrowings.

The move had been expected since a proposal to share the surplus between the company and members was made at the group's annual meeting in April.

Canadian Pizza for market with £40m value

By Andrew Bolger

THE CANADIAN Pizza Group, a Salford-based company which exports its pizzas to several European markets - including Italy - will be floated on the stock market this autumn.

The group, which will have a market capitalisation of about £40m, was the subject of a £15.5m management buy-out from its Canadian parent in May last year.

Canadian Pizza makes 40m pizza crusts per year and supplies about 35 per cent of the pizzas sold by UK superstores as their own brands. It employs 250 people at plants in Salford and Nelson in Lancashire.

Pre-tax profits increased last year from £1.3m to £2.2m on sales which grew from £11m to £15.2m.

The group believes a listing will enhance its ability to exploit the growth potential of the chilled and frozen pizza market, as the additional capital raised will be invested in new production facilities. Southern France is a possible location for a new factory. A growing segment is the in-store delicatessen custom-made pizza, for which the company supplies cases.

In 1982 Mr Harry Kent, co-founder of the group, began importing pizza crusts made in Canada by the Canadian Pizza Crust Company, run by Mr Gino Molinaro. In 1985, Mr Molinaro and Mr Kent established a business to make pizza bases in the UK. In May last year Mr Molinaro sold his stake in the business to a management buy-out led by Mr Kent, with the support of Murray Johnstone, 3i and ECI Ventures.

Mr Kent, the group's deputy chairman, said: "Pizzas are an increasingly popular snack food . . . I have no doubt that progress, particularly into the chilled market, will continue at an above average rate in comparison to overall retail sales."

The float will be sponsored by Robert Fleming and Hoare Govett will act as broker to the issue.

Floating to development and expansion

Maggie Urry reports on Parkdean's plan to shake off restrictions on growth

Graham Wilson: first selling holidays then other things

GRAHAM Wilson twice tried to buy out the business he runs. The second time he succeeded. But now he is as keen to escape from the buy out structure which is cramping his plans to grow.

The business is Parkdean Leisure, which operates seven caravan and chalet holiday parks in the UK - five in Scotland and two in East Anglia - and Mr Wilson's escape route is a flotation which is planned for next month.

He aims to raise between £7m and £9m, with most being new money to repay the group's debt and preference shares. That will give the company a market value of up to £15m and leave Mr Wilson with the flexibility to develop the existing parks or buy more.

Mr Wilson joined the company in 1981 when it was part of William Leech, the Newcastle based house builder. Leech had seen leisure parks as an asset-play, but, says Mr Wilson, did not want to put money into developing them.

He was working on a management buy-out when Leech was taken over by Beazer in 1985. Beazer decided to keep the business and invest in it. But as its ambitions spread, Parkdean became less important to its parent once again.

Mr Wilson achieved his aim with a £6.9m mbo in January 1989, when Parkdean had 5 parks. That involved a £2.5m term loan, £3m of deferred payments to Beazer and equity, including £2.17m worth of preference shares.

Despite the hefty debt, Parkdean has managed to buy three new parks, while selling one; set up a telesales operation to market the holidays better; and develop the parks' accommodation and leisure facilities.

But it has not been easy. Mr Wilson first approached brokers about a float only a year after the buy-out. He was told to "come back when you're a grown up company". In 1991, he raised another £1m of venture capital and eliminated part of the deferred payment to Beazer, since taken over by Hanson.

But, Mr Wilson says, venture capital is expensive and the banking climate has been poor. There have been times when Parkdean's directors have had to "hang on to our hats and go for it". The alternative, he says, would have been to wind the group down, running it for cash to service the debt and preference shares.

Now, Mr Wilson says, "we have got to the point where we can't go any further because of the structure". In the financial year to end November 1992, Parkdean achieved an operating profit of £1.3m, up from £1.03m in 1991. But from that interest charges of £800,000, tax, and preference dividends of £200,000, left little to repay debt and invest in the business.

Despite the stringencies Mr Wilson and his team have demonstrated an ability to buy and develop parks, significantly increasing their profits in the process. With the industry highly fragmented there should be plenty of opportunities to apply the skills to more acquisitions, and spread the overheads - such as the telesales operation - more widely.

Only a few months after the buy out, in June 1989, Parkdean bought Grannie's Hielan' Hame, a caravan park on the north-east coast of Scotland. By April 1990 a new indoor heated swimming pool, with jacuzzi, sun beds and sauna, had been built. The cost of £330,000 was partly paid for by a £100,000 government grant designed to help tourism.

The addition of the pool extended the number of weeks the park is fully let from 15 to 23, and the number of vans for hire has been increased from 86 to 90 this year. On top of that, the number of owned vans - where owners pay a rent - has risen from 3 to 30, with Parkdean making additional profits from trading vans.

Mr Wilson aims to increase from the 120 hire and owned vans to 160 in the next three or four years. Even that will make the park small by the standards of many park operators, and the aim is to retain the "personal service" which contributes to repeat and recommendation business - that accounts for over 55 per cent of the holidays sold.

Touring pitches are available too, and Mr Wilson has plans to develop these for the new generation of caravans which "hook up" to mains services. He reckons he can double the overnight rate for such pitches.

He puts the success of a park down to three factors: location, facilities and marketing. Grannie's, for example, is on a good sandy beach, near a town, but not surrounded by other caravan parks. As well as the pool, the facilities include bars and a restaurant, a grocer and a fish and chip shop, amusement machines, and a launderette.

"First we sell them holidays, then we sell them other things," Mr Wilson explains.

HTR Japanese trust launch

Henderson Touche Remnant, the large investment trust management group, confirmed yesterday that it plans to launch a £30m plus investment trust specialising in Japanese small and medium sized companies this Wednesday.

The fund, to be known as the HTR Japanese Smaller companies Trust will be launched via a placing and offer for subscription with the launch co-ordinated by Barclays de Zoete Wedd. The new investment trust will be managed by Mr William Garnett, who currently runs Henderson's smaller companies investment trust and will aim for longer term capital growth.

Coats in further Chinese ventures

By Joel Kibazo

Coats Viyella, the textiles and clothing company, announces that the number of its joint ventures in China had risen to five following two further agreements, worth a total of £16m.

In the first of the two new joint ventures, Coats has taken a 50 per cent stake in a yarn spinning mill it currently manages. Under the terms of the second venture, the company is to take a 60 per cent stake in a new factory to produce industrial wool yarn for the export market, in line with its other joint ventures in China.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Investor Group (US)	Unit of Pilkington (UK)	Optical equipment	£210m	Sola sale cuts debt
Swiss Re (Switzerland)/ John Head (US)	Partner Reinsurance (Joint venture)	Reinsurance	£170m	Continues industry trend
Incentive (Sweden)	Unit of Kone (Finland)	Materials handling	£41m	Buying McGregor -Navire arm
Fujisankei (Japan)	Echo Label (UK)	Music	£11.5m	Stake in Chrysalis unit
Cookson (UK)	Unit of Perstorp (Sweden)	Electronic laminates	£11.1m	Strengthening market position
News Corp (Australia)	Delphi Internet Services (US)	Publishing	£8m	Electronic move
News Corp (Australia)/ Teledirekt (Germany)	JV	Broadcasting	n/a	Pay TV venture
CarnaudMetalbox (UK)/France)	Zeller Plastik (Germany)	Packaging	n/a	Complementary purchase
Deutsche Bank (Germany)	Sharps Pixley	Bullions & metals	n/a	Strategic move
Bradduck Dunn McDonald (US)	IABG (Germany)	Defence	n/a	Government sells 45%

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JPMorgan

July 1993

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 05.09.93: Pool purchase price £/MWh	Final Prices for Trading on 05.08.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.07	59.62	65.94
0100	18.04	59.62	65.88
0130	18.03	32.00	32.00
0200	18.04	32.00	32.00
0230	18.04	32.00	32.00
0300	18.03	24.95	24.95
0330	18.00	24.95	24.95
0400	18.00	24.95	24.95
0430	18.00	24.95	24.95
0500	18.00	24.95	24.95
0530	20.22	8.04	8.04
0600	18.88	6.04	6.04
0630	18.04	6.04	6.04
0700	18.04	11.00	11.00
0730	18.05	17.88	17.88
0800	18.98	17.91	17.91
0830	21.16	19.00	23.57
0900	21.31	33.00	38.10
0930	21.16	33.00	38.12
1000	21.56	21.89	26.35
1030	22.17	22.01	26.70
1100	24.90	24.32	29.10
1130	22.38	26.46	31.28
1200	27.28	32.00	36.94
1230	27.28	32.00	36.85
1300	27.28	32.00	36.88
1330	27.38	31.88	36.86
1400	22.17	22.43	27.13
1430	21.65	21.69	26.40
1500	18.11	21.60	26.29
1530	18.07	18.03	18.03
1600	18.07	18.03	18.03
1630	18.07	18.03	18.03
1700	18.06	18.03	18.03
1730	21.54	21.60	26.27
1800	21.54	21.60	26.29
1830	21.54	21.60	26.29
1900	21.65	21.60	26.25
1930	21.65	21.69	26.33
2000	27.94	21.69	26.37
2030	34.20	21.74	26.38
2100	34.20	26.95	31.67
2130	27.94	33.00	37.87
2200	23.00	33.00	37.85
2230	23.00	32.00	36.89
2300	21.56	22.43	27.08
2330	19.00	21.69	26.39
2400	18.06	21.60	26.29

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) and final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-489789 between 8:30am and 5:15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 06.09.93: Pool purchase price £/MWh	Final Prices for Trading on 09.08.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.05	17.95	17.95
0100	18.35	17.92	17.92
0130	18.35	17.91	17.91
0200	18.05	17.91	17.91
0230	18.05	17.91	17.91
0300	18.04	17.91	17.91
0330	18.04	17.91	17.91
0400	18.04	17.91	17.91
0430	18.04	17.91	17.91
0500	18.04	17.91	17.91
0530	18.09	24.51	24.51
0600	18.02	33.00	33.00
0630	18.11	33.00	33.00
0700	21.55	49.57	54.38
0730	26.18	49.37	54.40
0800	29.82	49.37	54.49
0830	26.18	25.24	29.09
0900	27.68	26.40	30.28
0930	32.47	28.64	32.63
1000	32.59	28.43	32.43
1030	32.58	28.94	33.00
1100	29.30	29.06	33.18
1130	38.28	30.81	35.06
1200	38.40	33.20	37.81
1230	38.26	33.12	37.48
1300	35.97	32.85	37.05
1330	27.58	27.98	31.87
1400	27.48	26.72	30.51
1430	26.25	25.17	29.81
1500	26.24	26.63	30.39
1530	28.23	26.62	30.37
1600	28.27	26.88	30.45
1630	32.50	30.12	34.07
1700	68.30	36.85	40.84
1730	68.26	36.61	40.73
1800	68.18	38.36	42.48
1830	26.07	29.80	33.67
1900	24.96	26.30	30.04
1930	24.96	25.23	28.93
2000	32.17	24.84	28.33
2030	38.06	24.84	28.33
2100	38.06	38.00	40.05
2130	34.80	38.00	39.92
2200	24.87	36.00	39.98
2230	23.70	24.84	28.33
2300	23.70	24.08	27.78
2330	20.88	22.63	26.26
2400	20.88	22.31	26.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-489789 between 8:30am and 5:15pm Monday to Friday.
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NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS IN NOMURA SECURITIES CO. LTD.

EDR holders are informed of a dividend to holders of record date March 31, 1993. The cash dividend payable is Yen 10 per common stock of Yen 50.00 per share. EDR holders may now present Coupon No. 20 for payment to the undermentioned agents.
Payment of the dividend with a 15% withholding tax is subject to receipt of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving benefit of the reduced withholding rate. Failing receipt of a valid affidavit Japanese tax will be deducted at the rate of 20% of the gross dividend payable. The full rate of 20% will also be applied to any dividend claimed after October 31, 1993.

EDR Denomination	Gross Dividend	Dividend Payable less 15% Japanese withholding tax	Dividend Payable less 20% Japanese withholding tax
1,000 shares	$92.59	$78.70	$74.07

Depositary: Citibank, N.A., 336 Strand, London WC2R 1HB
Agent: Citibank (Luxembourg) S.A., 16 Avenue Marie Therese, Luxembourg

September 6, 1993

INVITATION
FOR THE SUBMISSION OF SEALED BINDING OFFERS FOR THE ACQUISITION OF MEVIOR'S SHARES HELD BY ELEVME S.A.

SUMMARY INFORMATION ON MEVIOR S.A.

NAME: MINING AND INDUSTRIAL MINERALS - MEVIOR S.A.
LOCATION: ASSIROS, Pref. Thessaloniki
ACTIVITY: MEVIOR is now active in the production and marketing of:
- Feldspar
- Quartz
- Silica sand
- Quartzite
- Wollastonite

FINANCIAL DATA
Based on Balance sheet Dec. 31, 1992

ASSETS		
B. INSTALLATION COSTS	Drs.	60,512,881
C. FIXED ASSETS		
I. Intangible assets	"	56,613,972
II. Tangible assets	"	354,934,028
III. Participations	"	635,360
D. CURRENT ASSETS		
I. Inventory	"	65,995,324
II. Receivables	"	66,597,115
III. Marketable Securities	"	16,669,151
IV. Cash	"	12,201,799
E. INTERIM ACCOUNTS		1,138,959
TOTAL ASSETS	"	635,298,588
LIABILITIES AND EQUITY		
Share Capital	"	500,500,000
Investment Subsidies	"	237,197,648
Reserves	"	13,792,452
Retained earnings	"	(138,390,886)
Provisions	"	86,267
Short-term liabilities	"	17,473,285
Interim accounts	"	4,639,822
TOTAL LIABILITIES AND EQUITY		635,298,588

PROCEDURE
(As per Greek Law 2000/91)

1. Potential buyers are invited to receive, after signing a confidentiality agreement with ELEVME S.A., the Information Brochure describing MEVIOR's activities.
   Interested parties shall submit a binding offer, in a sealed envelope, for 393,960 shares (out of a total of 500,500 shares). It is indispensable that the offer be accompanied by a guarantee letter issued by a Bank legally operating in Greece for the sum of 25,600,000 Drs which represents 10% of the starting price of the public auction. The guarantee letter, draft of which can be obtained from ELEVME S.A., shall be submitted enclosed in a separate envelope marked "Guarantee Letter".
2. The offers shall be submitted on Tuesday the 28th September 1993 between 8.00 am and 12 noon to the notary public of Langada (Thessaloniki prefecture) Stavroula Anastassopoulou, 33 Loutron Street, 1st floor, Tel. (0394) 25566.
   The offers shall be opened on the same day at 12.15 pm. The bidders may witness the opening of the offers.
3. The starting price amounts to 650 Drs per share i.e. a minimum total of 256,074,000 Drs (Decision of Court of Appeal of Thessaloniki No 1187/1993).
4. The bidders should also submit a letter concerning:
   a. Their intentions in respect of maintaining or not or increasing the number of job positions
   b. Any other proposals for further developing the company's activities such as new investments, increasing of exports etc.

To obtain the Information Brochure as well as additional data on MEVIOR, those interested can apply to the liquidators of ELEVME S.A., 18 Kifissias, Maroussi, TEL: (01) 6843520 and (01) 6843529, FAX: (01) 6843527.

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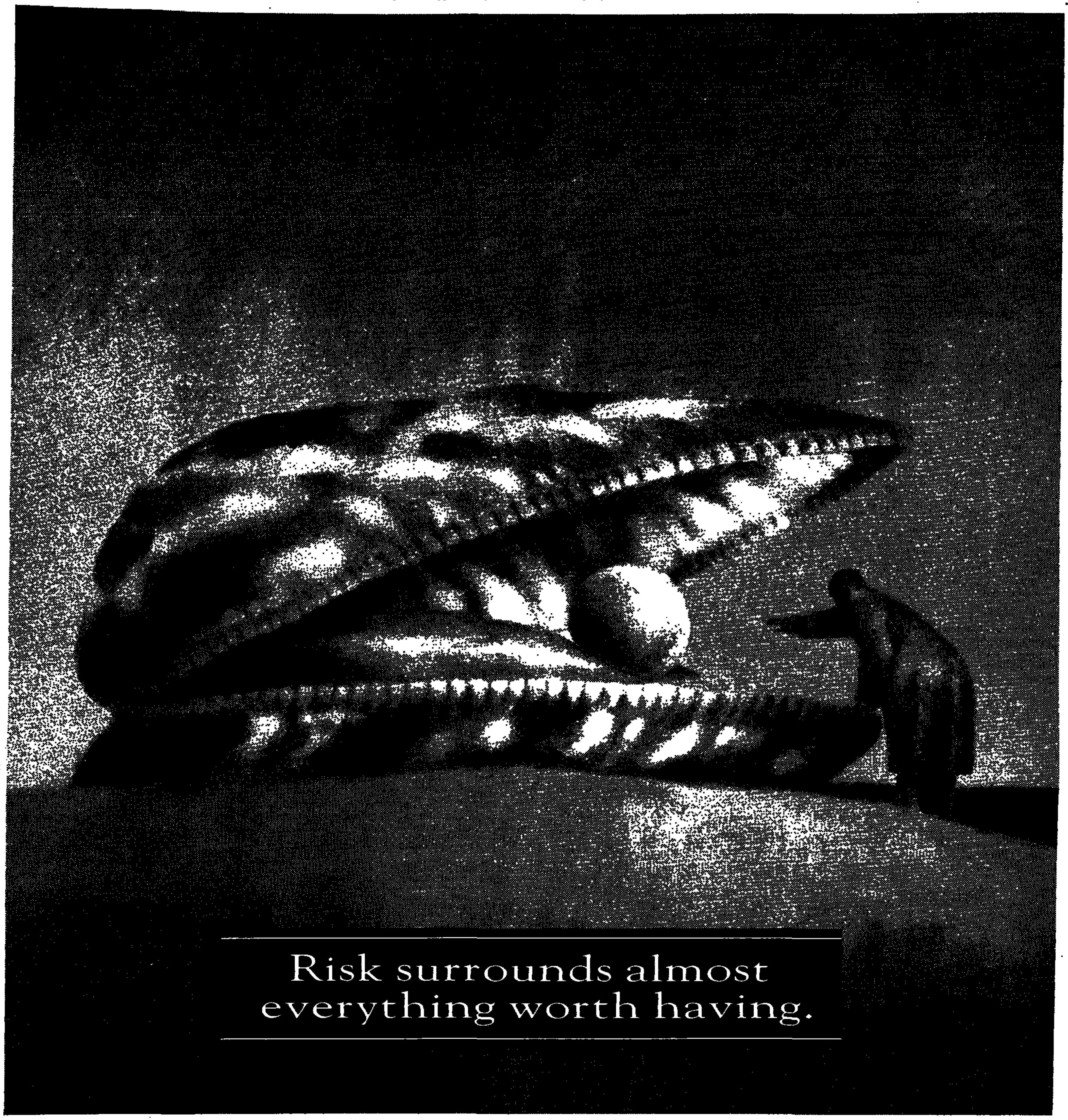

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LEAD FROM STRENGTH.

Use of Intel technology casts shadow on AMD

By Louise Kehoe in San Francisco

ADVANCED Micro Devices has disclosed that its latest microprocessor chips, to be introduced later this month, will incorporate Intel technology that is at the centre of a long-running legal battle between the two Silicon Valley chipmakers.

AMD's sales of 30m clones of Intel microprocessors have greatly boosted the company's revenues and earnings over the past two years. However, the legal disputes with Intel - the world's largest semiconductor manufacturer - have cast uncertainty over AMD's future microprocessor sales and could potentially make the company liable for substantial penalties.

Previously, AMD had said that it would lift the cloud of legal uncertainty and achieve "technological independence" from Intel by designing its own microcode for the new chips. Microcode is the internal software that controls the functions of a microprocessor chip.

However, AMD now says its "independently derived" microcode for new 486 microprocessors - widely used in personal computers - is not entirely original.

About 25 per cent of the software is "substantially similar" to software Intel created for an earlier generation of 386 microprocessors, the company said.

"The (microcode) development team was exposed to certain Intel 386 intellectual property that had been awarded to us by the arbitrator of our breach-of-contract dispute with Intel," said Mr Richard Lovgren, AMD associate general counsel.

He acknowledged that an appeals court ruling in June had overturned the arbitrator's award, compromising AMD's right to use the Intel microcode. Mr Tom Dunlap, Intel's chief counsel, said: "Once again, it seems that AMD would rather take legal risks than develop products independently."

AMD, however, expressed optimism that its rights to the software will be restored by the California Supreme Court, which last week granted the company's request for a review of the June ruling.

"We are very pleased the Supreme Court has agreed to review a ruling that we believe is wrong and manifestly unjust," said Mr W.J. Sanders III, AMD chairman and chief executive. The review effectively vacates the negative ruling of the appeals court, AMD said.

AMD also noted that it has been granted a new trial, to begin in November, of a related microcode copyright infringement dispute with Intel.

Toronto SE launches index

By Robert Gibbens in Montreal

THE TORONTO Stock Exchange is to launch on October 1 an index of 100 most actively-traded stocks. It is designed to help institutional investors measure Canadian equity performance more accurately.

The TSE-300 Index, now among the most widely used, includes smaller capitalisation stocks. The new 100 Index will contain only large capitalisation stocks and the most liquid securities.

It will comprise stocks representing 83 per cent of the total capitalisation of the TSE-300. A range of derivative products will be ready within six months.

The new TSE-100 was given a value of 250 at August 31 and will reflect market changes since then when the TSE begins reporting on October 1.

The TSE-300 continues, and those stocks not included in the TSE-100 will later form the basis of a new TSE-200.

The 100 index will be updated each April at the same time as the 300. Stocks in the 100 are classified into resource, industrial, interest-sensitive and consumer products groups.

Sime Darby increases earnings by 11%

By Kieran Cooke in Kuala Lumpur

SIME DARBY, the Malaysia-based conglomerate which claims to be south-east Asia's biggest multinational, has announced pre-tax profits of M$840.8m (US$331m) for the year to June 30 1993.

The figure represents an 11 per cent rise over the previous year and more than four times Sime Darby's 1987 profits.

Group turnover was M$7bn, a 14 per cent rise over last year. A final gross dividend of 16.5 Malaysian cents has been recommended, compared with 14.5 cents last year.

Sime Darby, once largely plantation based, is now involved in a wide range of activities including the manufacture of rubber products, the oil and gas industry, property and motor and heavy equipment franchises.

Sime's biggest cash earner was once again its operations in Hong Kong, where it is the main automotive and heavy equipment distributor. Pre-tax profits from Hong Kong were up 33 per cent to M$195m compared with M$142m last year.

"This remarkable achievement is the result of a booming economy in southern China and has taken place in spite of the fact that the future of the new Hong Kong airport and the Legislative Council elections remain unresolved," said the group.

A cutback in logging led to a decline in earnings from the group's heavy equipment business in Malaysia, but revenues from the group's substantial involvement in the local oil and gas industry made a significant contribution to overall profits.

The plantations division benefited from continuing strong prices for palm oil, though sagging rubber prices resulted in lower production and affected overall plantations performance.

Mr Nik Mohamed Yaacob, the new group chief executive, said that in the short term Sime's main priority was to turn round its insurance business, which continues to make a loss.

Stockholm approves Volvo/Renault merger

By Hugh Carnegy in Stockholm and John Ridding in Paris

SWEDEN'S centre-right government has given its blessing to the full merger, expected to be announced in Paris this week, possibly today, between Volvo, the country's premier manufacturing company, and Renault, the state-controlled French car and truckmaker due to be privatised shortly.

"Volvo is very important to the Swedish economy, but this is a market-oriented government," said a senior government official. "Our view is that Volvo as a private company must do what it thinks is right for Volvo."

Both companies want to announce the merger before the start of the Frankfurt motor show tomorrow. However, a French government official said yesterday that the agreement had yet to be signed and a delay until tomorrow or Wednesday would not matter.

The merger will create one of Europe's four biggest car manufacturers and the world's second biggest truck group. It will set the seal on a three-year old industrial alliance which began with an exchange of cross shareholdings in 1990.

The French government, wary of domestic political sensitivities surrounding the merger, has insisted on a dominant role in the partnership for Renault, which it has placed on a list of 21 state-controlled groups it seeks to sell in an ambitious programme to be launched this autumn.

Motor industry analysts believe the most probable scenario is that the French car group, currently 79 per cent owned by the state, will have a 65 per cent stake in the joint company.

Renault's chairman, Mr Louis Schweitzer, will be in charge of day-to-day operations, with the flamboyant Mr Pehr Gyllenhammar, who has led Volvo since 1971, as head of the supervisory board.

Aware of the sensitivities in Sweden also over the future of one of the symbols of the country's industrial prowess, Mr Gyllenhammar has kept Mr Carl Bildt, the Swedish prime minister, abreast of the negotiations. Volvo is hoping that other political and market reaction to the merger will be similar to that of Mr Bildt. Most analysts in Stockholm view a 35 per cent share for Volvo as a reasonable outcome.

"You can never be sure of anything, but if people look at this in a neutral way they must see that it is the best deal for shareholders, given the alternative of a future on our own," said a Volvo official.

According to expectations, French control will be wielded through a majority stake in a joint holding company and through a stake in a unit which groups the automotive operations of the two companies.

But Volvo is expected to retain a powerful influence. Volvo will hold smaller stakes in the holding company and the industrial unit. It is likely to have veto powers over strategic issues.

Kuok tipped to buy S China Morning Post

By Simon Davies in Hong Kong

TRADING in South China Morning Post shares was due to resume today amid expectations that this week will see Hong Kong's best-known newspaper fall into the hands of one of China's best-loved overseas businessmen.

Mr Rupert Murdoch's News Corporation announced on Friday that it was negotiating the sale of its 50 per cent stake in SCMP, and while the buyer's name has not been confirmed, it is widely expected to be a consortium led by Malaysian-born "Sugar King" Robert Kuok.

The share sale would trigger a general offer for the company, under Hong Kong's takeover and mergers code, but local newspaper coverage has raised expectations of an offer below Friday's closing price of HK$5.35. Based on that price, the Murdoch stake would be valued at HK$4bn (US$516m).

Mr Kuok commands one of the largest business empires in south-east Asia, and having made his fortune through sugar trading in Malaysia, he now controls a wide range of businesses, from hotel and property development to trading.

He has a long track record of investment in Hong Kong, where he is now based. He recently floated his Hong Kong and Chinese hotel interests, as the HK$8.5bn market capitalised Shangri-La Asia. However, the purchase of SCMP would be his largest and most high profile investment in the colony.

It is his China connections which will attract most attention, if he finalises the deal. Mr Kuok was behind Beijing's first major internationally-funded property development, the US$480m World Trade Centre.

He also owns 13 per cent of Hong Kong's largest mainland-controlled investment vehicle, Citic Pacific, and has substantial investments in property and trading in China. Beijing would not welcome criticism from business partners, and is very sensitive to its media coverage in Hong Kong.

As one senior employee at the SCMP stated: "One of the ironies of this deal is that in a week's time, Rupert Murdoch may be held up as the last bastion of free speech and democracy in Hong Kong."

Mr Murdoch had implemented few changes at the newspaper. He treated it as a cash cow and paid out the bulk of earnings in dividends, while playing no apparent role in its editorial content.

He is likely to make more than HK$5bn profit from the deal, and he was clearly concerned about the future of running an English language newspaper in Hong Kong after its 1997 hand-over to China, from both a political and business perspective.

Poland to sell 60% of Bank Slaski

By Christopher Bobinski in Warsaw

POLAND is to offer 60 per cent of the equity of Bank Slaski for sale in the second privatisation of the country's nine state-owned commercial banks created in 1989.

The planned disposal of the 5.6m shares comes after the sale earlier this year of Wielkopolski Bank Kredytowy (WBK), in which the European Bank for Reconstruction and Development took a 28 per cent share. Now the EBRD is expected to bid for a share of the "large investor" tranche making up 45 per cent of Bank Slaski's equity for a which a tender is to be announced on September 14.

The share price agreed under the tender will then be treated as a marker for the remaining 15 per cent of the equity which is to be offered to "small" investors later in the year.

Mr Leslaw Paga, head of Poland's Securities Commission, which approved the public offer, said the price for small investors would be "no higher" than that for large investors, but could be lower.

The procedure is designed to avoid controversies which accompanied the WBK privatisation, where the offer price was set before a boom on the Warsaw stock exchange giving investors handsome profits and leading to charges that the bank had been underpriced.

NEWS DIGEST

French retailer trebles profit

CASINO, one of France's largest food retailing groups, achieved a three-fold increase in pre-tax profits to FFr60.1m ($10.32m) in the first half of the year, writes John Ridding in Paris.

The rise from FFr18m in the first six months of 1992 reflected its merger with Rallye, the supermarket group, at the end of last year.

Net attributable profits rose much more slowly, increasing by 2.5 per cent to FFr17.6m. Sales rose slightly from FFr33.25bn to FFr33.75bn. But the group said that the increase was impressive against the background of falling consumer demand and supermarket price wars arising from the recession in France.

In a statement to shareholders, Casino expressed optimism about the remainder of the year.

It said that cost cutting measures introduced over the past two years were beginning to bear fruit and that the merger with Rallye was progressing smoothly.

■ Northern Telecom, the equipment manufacturing affiliate of BCE of Canada and Germany's Robert Bosch have dropped a joint venture to manufacture transmission equipment, writes Robert Gibbens in Montreal.

Last March the companies announced the venture to produce equipment under the CCITT global standard. Each planned to put certain assets, technology and personnel into the project and Nortel would have gained a distribution channel for some of its equipment in Germany.

At the weekend the two companies would not enlarge on a statement, saying they have "strengthened their relationship and are co-operating in other areas of mutual interest, including several global bidding opportunities."

Analysts regarded the ending of the joint venture as a potential setback for Nortel. "Germany was a key market in Nortel's strategy to become a leader in European telecom equipment," said Mr Fredericks Larkin, of Bunting Warburg in Toronto.

However, industry sources stressed that international market changes may have dictated the move.

Nortel, in a US$400m note issue filing, said it will would contend a US tax re-assessment for 1980-85, potentially requiring payment of US$450m. The company said it has a strong case to contest the IRS claim.

■ GTE, the US telecommunications group which has already shed 6,400 people through voluntary separation programmes this year, is to cut its workforce by a further 1,000 through compulsory redundancies, writes Richard Waters in New York.

Kirin Brewery Co. Ltd

has acquired

a 50% shareholding in

Hiljo BV

a subsidiary of

Kemira Oy

The undersigned acted as financial advisor to Kirin Brewery Co. Ltd. in this transaction

The Mitsubishi Bank, Limited

September 1993

The Mitsubishi Bank, Limited is a member of the SFA

Kirin Brewery Co. Ltd

has acquired

BEHEER BV

and its subsidiaries

The undersigned acted as financial advisor to Kirin Brewery Co. Ltd. in this transaction

The Mitsubishi Bank, Limited

September 1993

The Mitsubishi Bank, Limited is a member of the SFA

Inter Capital Limited

U.S. $50,000,000

Floating Rate Notes due 1997

Notice is hereby given that the Interest Rate for the period from 3rd September, 1993 to 3rd March, 1994 is 4.8125%. The Floating Rate Note Interest Amount payable on 3rd March, 1994 is U.S. $241.96 per U.S. $10,000 and U.S. $6,049.05 per U.S. $250,000. In accordance with clause 5(c) of the Terms and Conditions of the Notes, the Interest Rate applicable for those Noteholders who have elected to Redeem their Notes on 3rd March, 1994 is 3.9375% and the Floating Rate Note Interest Amount payable will be U.S. $197.97 per U.S. $10,000 and U.S. $4,949.22 per U.S. $250,000.

Bankers Trust Company, London Agent Bank

Commerzbank Aktiengesellschaft

U.S.$ 250,000,000 Subordinated Floating Rate Notes Due 2002

In accordance with the provisions of the Notes the following notice is hereby given:

Interest Period:	September 3, 1993 to March 3, 1994 (181 days)
Interest Rate:	5% p.a.
Coupon Amount:	U.S.$ 125.69 per U.S.$ 5,000 Note
	U.S.$ 251.39 per U.S.$ 10,000 Note
	U.S.$ 2,513.89 per U.S.$ 100,000 Note
Payment Date:	March 3, 1994

Frankfurt/Main, September 1993

COMMERZBANK

EUROFIMA

European Company for the Finance of Railroad Rolling Stock

U.S. $250,000,000

Deutsche Mark LIBOR Based Floating Rate Notes due 2002

For the Interest Period 3rd September, 1993 to 3rd December, 1993 the Notes will carry an Interest Rate of 5.375% per annum with Coupon Amounts of U.S. $13.59, U.S. $135.87 and U.S. $13,586.81 per U.S. $1,000, U.S. $10,000 and U.S. $1,000,000 Notes respectively. The relevant Interest Payment Date will be 3rd December, 1993.

Swiss Bank Corporation

Notice to holders of Bearer Shares

SCHRODER INTERNATIONAL SELECTION FUND

Société d'Investissement à capital variable (SICAV).

Registered office: 14, rue Aldringen Luxembourg

Commercial Register: Section B8202

NOTICE OF CHANGES OF CUSTODIAN, PRINCIPAL PAYING AGENT CENTRAL ADMINISTRATION AGENT AND LISTING AGENT.

The Directors of Schroder International Selection Fund have resolved that as from 6th September 1993 Bank of Bermuda (Luxembourg) SA is to be appointed custodian of the assets of the Fund, which has its registered office at 13 rue Goethe, L-1637 Luxembourg in place of Banque Generale du Luxembourg, which has its registered office at 14, rue Aldringen, L-1118 Luxembourg. Bank of Bermuda (Luxembourg) SA is also to be appointed Principal Paying Agent, Central Administration Agent and Listing Agent as from 6th September 1993, in place of Banque Generale du Luxembourg.

From 6th September 1993, holders of Bearer shares are requested to send their certificates to the following address in order to have them overstamped:

Bank of Bermuda (Luxembourg)SA,13 rue Goethe, L-1637 Luxembourg.

The Board of Directors

DO YOU WANT TO KNOW A SECRET?

The I.D.S. Gann Seminar will show you how the markets REALLY work. The amazing trading techniques of the legendary W.D. Gann can increase your profits and contain your losses. How? That's the secret. Ring 061 474 0080 to book your FREE place.

BANCO di NAPOLI

Joint-stock company

Registered office in Naples - Via Toledo 177

Company capital lit. 1,063,452,000,000

and Reserves lit. 3,434,240,989,614

Registered at the Court of Naples, registration no.4180/91

Registered at C.C.I.A.A. in Naples at no. 487026

Tax Code and VAT Number 06385890635

NOTICE OF ORDINARY AND EXTRAORDINARY MEETING OF SHAREHOLDERS

Notice is given that, immediately after the Extraordinary Meeting of Shareholders, convened at the Registered Office in Naples, Via Toledo, 177., on 21 September, 1993 at 12:30pm for the first meeting and, if necessary, on 22 September, 1993, for a second meeting, at the same time and place, as per the notice that appeared in the Gazzetta Ufficiale no. 201 part II on 27 August, an Ordinary Meeting will be held, having the following Agenda:

- Substitution of resigning Directors and nomination of the Company Chairman in accordance with art. 13 of the Company By-Laws.

Notice is also given that the agenda of the Extraordinary Meeting has been extended as follows:

- Amendment of articles 1,2,3,7,8,11,13,15,17,21,23,25 and 28 of the Company By-Laws, suppression of the transitory regulation by these by-laws and insertion of a transitory regulation for the structure of the Administration.
- Amendment of art.9 of the Memorandum of Association.

All further information contained in the notice published in the Gazzetta Ufficiale no 201 part II on 27 August, 1993 remains unaltered.

Naples, 1 September, 1993

On behalf of the Board of Directors
Avv. Vincenzo Scarlato
(Vice-President)

Notice to Noteholders

U.S. $75,000,000

The Venezuela Collateralised DCB Corporation I

8¾% Senior Secured Notes due 1994

(the "Senior Notes")

Notice is hereby given that, in accordance with Condition 7(b) of the Senior Notes, The Venezuela Collateralised DCB Corporation I (the "Issuer") will redeem U.S. $791.67 principal amount of each U.S. $1,000 Original Principal Amount of each Senior Note, plus accrued interest of U.S. $17.31, on the Senior Notes Call Date falling on September 22, 1993. This amount is 79.1666% (19/24ths) of the Original Principal Amount of each Senior Note and aggregates U.S. $59,375,000 for all the Senior Notes. Payment of such principal amount, together with such accrued interest, will be made, in the case of Bearer Senior Notes, upon surrender of the relevant Talon (Talon No. 4) and otherwise as provided in the Conditions of the Senior Notes.

PRINCIPAL PAYING AGENT AND TRANSFER AGENT
The Chase Manhattan Bank, N.A.
Woolgate House, Coleman Street
London EC2P 2HD

PAYING AGENT AND TRANSFER AGENT
Chase Manhattan Bank Luxembourg, S.A.
5 Rue Plaetis
L-2338 Luxembourg

REGISTRAR AND TRANSFER AGENT
The Chase Manhattan Bank, N.A.
4 Chase Metrotech Center, Brooklyn
New York, NY 11245

By: The Chase Manhattan Bank, N.A.
Principal Paying Agent

CHASE

September 6, 1993

Schroders

Interim Statement

3rd September 1993

The profits after tax of the Schroder Group for the first six months of 1993 were higher than in the same period of the previous year.

An interim dividend for the year ending 31st December 1993 of 4p per share (1992: 3p adjusted for May 1993 capitalisation issue) has been declared.

The dividend will be payable on 21st October 1993 to ordinary and non-voting ordinary shareholders on the register on 30th September 1993.

Schroders plc. 120 Cheapside, London EC2V 6DS

INTERNATIONAL BONDS

Austria and Exim deals revive Euroyen sector

THE LAUNCH last week of two large yen-denominated Eurobond issues by top-quality borrowers has helped to revive investor interest in the Euroyen sector of the international bond market.

The Export-Import Bank of Japan raised Y75bn through an offering of 10-year Eurobonds and the Republic of Austria established a new benchmark at the long end of the Euroyen market with its Y60bn issue of 12-year Eurobonds.

Syndicate managers say that Exim's 10-year Eurobond issue has helped to open up the Euroyen sector for other Japanese government-guaranteed entities.

In the past, the Japanese finance ministry had discouraged them from raising yen-denominated funds outside the domestic bond market. However, the ministry has changed its stance in recent years.

So far, the Japanese Development Bank (JDB) has been the only government-guaranteed entity to issue in Euroyen. It has launched two such offerings in the past two years, and is thought to be considering a third, of the same size and maturity as Exim's.

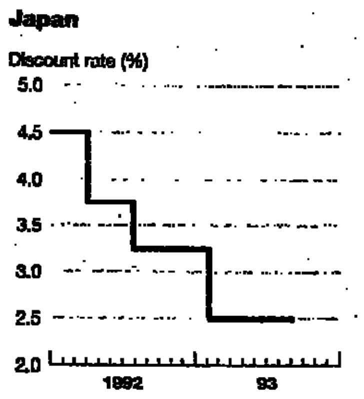
Austria followed rapidly on Exim's heels, and both issues have provided liquidity which is badly needed at the long end of the Euroyen sector. Both issues were priced against the World Bank's yen global bond due 2003. Exim's issue was priced to yield six basis points above the yield on World Bank's bond. Some managers said the issue was generously priced.

By contrast, the pricing of Austria's issue, launched at a spread of 13 basis points over the yield on the World Bank bond, was widely regarded as tight. Some syndicate managers said the spread should have been five basis points wider to compensate for the extra two years of the bonds' life. However, a spokesman at the lead manager, Yamaichi International, said last week the pricing was *justified* by the quality of the borrower and demand for long-dated paper.

The pricing also reflected Yamaichi's view that Japanese interest rates will be cut in the near future, which would increase the attraction of the 4½ per cent coupon.

Syndicate managers say these two issues could herald a steady stream of Euroyen issues over the coming months, which would stem the decline in volume in this area of the Euromarket.

According to IFR Securities Data, the percentage of all Eurobonds issued in yen fell in the first eight months of this year, to 10 per cent



Source: Datastream

of the total from 11.5 per cent in the same period last year. By contrast, sterling's share rose from 8.7 to 12.6 per cent and the D-Mark's to from 9.7 to 14.5 per cent. The dollar's share remains the largest at around 35 per cent.

The data also show that the yen dropped to fourth position in the table of the preferred issuing currencies from second position.

The lack of swap opportunities this year has deterred non-Japanese issuers from borrowing in yen. Many issuers only tap the Euroyen sector if they can swap the proceeds of their offering into dollars which are fixed at a margin below the London interbank offered rate (Libor).

However, swap conditions have improved recently and Exim is thought to have exchanged the proceeds from its offering into dollars, achieving an all-in cost of funds of 20 basis points below Libor.

Non-Japanese borrowers have also been hindered by the yen's appreciation against other currencies in recent months. Syndicate managers say they are now looking more closely at the Euroyen sector, encouraged by expectations that the yen has reached its peak.

"Many borrowers would like to borrow in yen when it is close to its *all-time high* because their currency exposure should be reduced in the long term as a result," says one syndicate manager.

Expectations of a further cut in Japanese interest rates to boost the country's flagging economic growth have further enhanced the market conditions for borrowers. Many economists expect a cut of up to ¾ points in the discount rate, which is currently at 2½ per cent.

The Japanese government bond market has been strengthening as a result of the hopes of a cut in rates. Analysts believe that after the cut, interest rates are likely to remain low for the foreseeable future.

In the light of such forecasts, investors are keen to buy long-dated yen bonds which offer a coupon with some premium over the current low yields in the government bond market.

Yet despite the favourable conditions for borrowers and the current demand among investors for yen Eurobonds, syndicate managers are careful not to launch too many new issues for fear of saturating the market.

The Euroyen market is less liquid than other sectors of the international bond market because of it is still limited to the highest credits, namely sovereign and *supranational borrowers*, or *triple A-rated* corporate names.

As a result, many yen Eurobond issues become illiquid very soon after their launch. This is a drawback for investors wanting to sell their bonds before they are redeemed so they are reluctant to buy too many at issue. "It is a self-perpetuating problem," says one syndicate manager.

Last week's deals helped to provide liquidity at the longer end of the market but syndicate managers say it will take a considerable time before this vicious circle is broken.

Antonia Sharpe

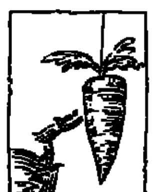
NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Waldta & Co.(a)Φ	100	Sep.1997	1.25	100	-	-	Wako Intl. (Europe)
Eidensha Co.(b)Φ	60	Sep.1997	1.25	100	-	-	Nomura International
General Electric Capital Corp.	250	Sep.1998	4.25	99.69R	4.362	+10 (4⅛%-98)	UBS
Petrobras	200	Sep.1996	7.5#	99.947R	7.520	+335 (4⅛%-96)	Bear Stearns Intl.
Grupo Situr	100	Sep.1998	8.75#	99.762R	8.810	+400 (4⅛%-98)	Lazard Frères
Hemarul Land & Dev'ment(h)§	60	Sep.2003	3.5	100	-	-	Jardine Fleming
Crédit Local de France	300	Oct.1998	4.25	99.55R	4.413	+18 (4⅛%-98)	Sakura Finance Intl.
Crédit Lyonnais‡	150	Sep.2005	(i)	99.75R	-	-	CSFB
Banque Indosuez‡	100	Oct.2005	(j)	99.75R	-	-	CSFB
BNL (HK Branch)‡	100	Oct.2003	(l)	100R	-	-	Morgan Stanley Intl.
Bacob Overseas‡	100	Sep.1997	(k)	100R	-	-	Sanwa International
Goldman Sachs Group‡	125	Oct.2005	(s)	99.75R	-	-	Goldman Sachs Intl.
MDX Public Co.(x)§	80	Sep.2003	(4¾-5)	100	-	-	Nomura International
D-MARKS							
Depfa Finance	1.5bn	Sep.2003	6.375	99.7R	6.417	+24 (6¼%-03)	Dresdner/Morgan Stanley
Deutsche Bau & Bodenbank(c)	200	Sep.2003	6.375	101.65	-	-	Trinkaus & Burkhardt
Frankfurter Hypobank‡	100	Oct.2003	(d)	100	-	-	Trinkaus & Burkhardt
SGZB‡	150	Oct.2003	6.25	102	-	-	Trinkaus & Burkhardt
STERLING							
Irish Permanent B/S‡	100	Oct.1998	(t)	99.68R	-	-	UBS
FRENCH FRANCS							
RATP	2.5bn	Sep.2003	6	97.825R	6.300	+18 (6¾%-03)	Société Générale
Region D'Ile de France	600	Sep.2000	6	99.55R	6.081	+22 (8½%-00)	Banque Paribas
Crédit Local de France	1.5bn	Sep.2005	6.25	98.26R	6.460	+22 (8½%-04)	Crédit Lyonnais
SNCF(m)	1bn	Sep.2013	6.75	96.72R	6.870	+18 (8½%-12)	Société Générale
Soc. Gén. Acceptance‡	500	Dec.2003	(n)	99.4R	-	-	Société Générale
YEN							
Export-Import Bank of Japan	75bn	Oct.2003	4.375	99.73R	4.409	+25 (4½%-03)	Nomura International
Republic of Austria	60bn	Sep.2005	4.5	100R	4.500	-	Yamaichi Intl. (Europe)
Itochu International(o)	10bn	Mar.1997	3.75	100.425R	-	-	Merrill Lynch Intl.
Obayashi Finance Intl.(Neths.)‡	10bn	Sep.1996	(u)	100.225	-	-	Sanwa International
CANADIAN DOLLARS							
Province of British Columbia	400	Sep.2005	7.25	98.8R	7.404	+50 (7½%-03)	ScotiaMcLeod
City of Quebec, Tranche A	35	Oct.1998	6.875	102.05	6.383	-	BIL, Luxembourg
City of Quebec, Tranche B	21	Oct.2003	7.625	101.85	7.343	-	BIL, Luxembourg
ITALIAN LIRA							
Rabobank Nederland	500bn	Oct.2003	zero	46.426	7.975	-	IMI Bank Luxembourg
KfW Intl. Finance‡	150bn	Sep.1998	(p)	100.6R	-	-	Banca Commerciale Italiana
Crédit Local de France‡	150bn	Dec.1996	(v)	100.375	-	-	Credito Italiano
HONG KONG DOLLARS							
International Finance Corp.‡	500	Oct.2000	(q)	100.4	-	-	Société Générale Asia
SWISS FRANCS							
Verbund, Austria	250	Oct.2005	4.5	102.5	4.230	-	Bank von Ernst & Cie
Rabobank Nederland(e)*Φ	150	Oct.2000	2.5	100	-	-	Swiss Bank Corp.
Norddeutsche LB(f)*Φ	115	Oct.2000	2.25	100	-	-	Swiss Bank Corp.
Bremer Landesbank(g)*Φ	100	Oct.1998	2.75	100	-	-	UBS
Europäische Hypobank(r)*Φ	100	Oct.2000	2.75	100	-	-	UBS
Art Life Co.(w)*§	45	Dec.1997	0.25#	100	-	-	Nikko Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price. a) Denom.: $5,000 + 1 warrant. Exercise price: Y2194. FX: 105.2Y/$. b) Denom.: $10,000 + 2 warrants. Exercise price: Y1383. FX: 105.2Y/$. c) Convertible on 24/9/97 or 24/9/98 into FRN with coupon of 6-month Libor - 0.05% and 24/9/07 maturity. d) Coupon pays 7.5% fixed annual in first year and 17.75% - 2 x 6-month Libor thereafter. e) Denom.: SFr50,000 + 175 3-year warrants. Each warrant entitles holder to a Royal Dutch Petroleum share at Fl188.45. f) Denom.: SFr50,000 + 420 3-year warrants. 4 warrants entitles holder to a Bayer share at DM300.7. g) Denom.: SFr50,000 + 65 2-year warrants. 10 warrants entitle holder to a CS Holding bearer share at SFr2,950. h) Conversion price: Baht186. FX: 25.2Baht/$. Puttable on 9/9/98 at 116.5%. Callable, subject to 140% rule, from 9/9/98 at accreted value to yield 8.4% and from 9/9/99 at par. i) Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 8%. j) Coupon pays 6-month Libor - 0.1875%; minimum 5.75%, maximum 10%. k) Coupon pays 3-month Libor + 0.2%. l) Coupon pays 3-month Libor + 0.3%. m) Issue launched on 19/8/93 was increased to FFr4bn. n) Coupon pays 7% on money market basis for first 9 months and 15.5% - 1.75 x 3-month Pibor thereafter. o) Short 1st and 2nd coupons. p) Coupon pays 3-month Libor - 0.3%. q) Coupon pays 13.75% - 2 x 3-month Hibor for 1st 2 years and 7% fixed quarterly thereafter. r) Denom.: SFr50,000 + 180 2-year warrants. 5 warrants entitle holder to 1 share in each of Bayer, BASF and Hoechst at DM843.5. s) Coupon pays 6-month Libor flat; minimum 5.375%, maximum 9%. t) Convertible on 2/10/95 or 2/10/01 into FRN paying 6-month Libor - 0.05%. u) Coupon pays 3-month Libor + 0.275%. v) Coupon pays 3-month Libor - 0.25%. Short 1st coupon. w) Fixing: 8/9/93. Callable on 31/12/95 at 102% declining by 0.5% semi-annually. Callable, subject to 150% rule, on 30/6/94 at 101.75% declining 0.25% semi-annually. x) Fixing: 9/9/93. Indicated conversion premium: 12-14%. $20m green shoe option. Callable from 17/9/97, subject to 140% rule, at par. Note: Yields are calculated on ISMA basis.

RISK AND REWARD

Broadening the horizons of currency exposure management



UNTIL recently, the use of derivatives by non-financial companies had only sparked interest among shareholders if disaster struck. In these instances – such as Allied Lyons' £150m loss in 1991, when a treasury official wrote uncovered currency options – the *focus tended to be on the cause of* the short-term hit, usually speculation or inadequate management controls.

However, more attention is now being paid to the broader implications of a company's policy on currency risk management. The volatility in exchange rates in the last year, and the virtual collapse of the exchange rate mechanism, has heightened the awareness of institutional investors of the potential impact on profitability of a company's approach to currency exposure.

Last year, the Association of Corporate Treasurers published a set of draft guidelines designed to make it easier for institutional investors to analyse the implications of foreign exchange management. The subject has been a matter of intense debate, since there is some opposition to increasing disclosure, but definitive guidelines are expected this autumn. Mr Gerald Leahy of the ACT said there was a strong feeling there should be better qualitative, if not quantitative, information on treasury policy.

Stock analysts are also waking up to the importance of currency hedging in analysing an international company's performance prospects. For example, Credit Lyonnais Laing recently published a ground-breaking piece of research on the UK drinks industry entitled "Currency hedging in the drinks sector", which provides an unusually detailed examination of the practices of companies like Grand Metropolitan, Guinness and Bass.

As well as defining the extent and nature of these companies' foreign exchange exposure, analyst Ms Julie Bower details their policies on dealing with their exposure.

She notes that in general, "too much attention is paid to the exposure of companies to currency movements as reported in their accounts, and too little to the underlying long-term competitive positions of companies under various exchange rate scenarios".

There are three types of currency exposure: transaction exposure, which is the exposure to exchange rate movements between a sale and its settlement; translation exposure, which relates to the effects of currency movements on a company's accounts when reported in the home currency, and is held to be of significance only for accounting *purposes; and economic exposure*, which describes the extent to which the present value of expected future cash flows changes with currencies.

Ms Bower argues that companies tend to concentrate too little on the third of the these categories. "[Economic exposure] is a true exposure which managements should be seeking to optimise through a financial management programme that complements their long-term strategic planning process."

She makes the important point that hedging can be financial or strategic. For example, Japan's Nikka Whisky Distilling Company bought a large Scottish distillery in 1989, reducing the operating risk of being dependent on exported whisky from Scotland for its own Japanese blended whiskies by hedging its long-term economic exposure to the sterling/yen exchange rate through an investment in the home market of its suppliers.

Undoubtedly, the pressure on companies to provide better information is increasing. Last year, Mr Hugh Jenkins, chief executive of Prudential Portfolio Managers, described information given by most companies as "minimal" even though the Report and Accounts is the correct medium for disclosure.

Most senior managers claim they are anti-speculation, yet they follow selective hedging policies designed to protect against anticipated adverse currency movements. Yet in practice it is often the case that hedging is only useful in protecting the company against unexpected changes.

The consequence for investors is uncertainty. If a fund manager buys a UK stock because he thinks the company will benefit from increased US earnings, he needs to know if the dollar exposure of that company is hedged. At present, he is often in the dark.

Tracy Corrigan

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BARINGS

July, 1993

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Wall St divided on strength of rally

THE US credit market reached a historic landmark on Friday when the yield on the benchmark 30-year Treasury issue fell below 6 per cent for the first time in its 16-year life. But, amid the celebrating, Wall Street Cassandras were quick to wonder how soon the remarkable bond market rally of the past few months might go into sharp reverse.

The factor which finally took the long bond through 6 per cent was a surprisingly poor unemployment report for August on Friday morning, which suggested at first glance that the economy was growing more weakly than expected.

By the close of trading, the issue was showing a yield of 5.94 per cent, down from 6.14 per cent a week earlier. The rest of the yield curve also dipped by 20-22 basis points, with the 10-year note ending the week at 5.28 per cent.

With US interest rates at their lowest in 25 years, investors face a dilemma: is the bond rally of the past six weeks a sign of a seriously overheated market, which is bound to end in a sharp correction and an upward turn in the interest rate cycle? In short, is the bond market rally about to peak out?

Or does the rally mean the market is entering a new trading range, reflecting an economy facing a prolonged period of low growth and low inflation, and that this could push interest rates down even further, back to the level of the 1960s? Wall Street is divided. Few analysts forecast the long bond would breach 6 per cent, yet after the event many argue that the bull rally remains relatively secure, though it is bound to suffer short-term corrections. A minority, however, warn that the market is seriously overbought.

The main factors behind the rally provide ammunition for both camps. First, many statistics suggest US economic growth remains subdued, and President Bill Clinton's tax increases and healthcare reforms could further retard expansion.

However, last week the government revised its estimate of second-quarter GDP growth up to 1.8 per cent, compared to the 1.6 per cent initially reported. And August's employment statistics were not nearly as bad as the headline figures would suggest. Businesses may not be hiring new workers, yet hours worked are rising at a respectable 2.5 per cent annual rate.

Coincidentally, the surprisingly poor August figures came exactly a year after very similar statistics prompted the Federal Reserve into its last easing move, and some of Friday's bond rally may have stemmed from hopes of a repeat performance by the central bank. Yet the Fed seems unlikely to change a rates regime which, by underscoring its anti-inflation hawkishness, has been a powerful contributor to the current rally.

Nor do there appear to be any significant inflationary clouds on the horizon. The only statistic of note to be released this week will be Friday's producer price index for August. The overall PPI may show the first rise in four months, but the increase is expected to be modest, at around 0.2 to 0.3 per cent.

Apart from economic fundamentals, market forces driving the bond market rally have included the Clinton administration's reduction in the supply of 30-year bonds, and heavy demand from both banks, taking advantage of the steep yield curve, and mutual fund investors seeking higher returns. Flows of cash into bond funds jumped 22 per cent in July to a record $13bn.

There are no immediate signs of this tide turning, yet mutual fund investors could prove volatile if a run of adverse economic statistics suggests the market is peaking out. Any correction – be it the turn of the interest rate cycle or not – could prove nasty.

Martin Dickson

UK GILTS

US events give food for thought

THERE HAS been a certain amount of scepticism in the UK that long-dated gilt yields – already at post-war lows – have much further to fall. But events in the US on Friday may have given the sceptics food for thought.

The publication of exceptionally poor unemployment figures sent long-bond yields to historically low levels. As Treasury dealers mulled the growing belief that a hesitant recovery means inflation will be held at bay, yields sank to below 6 per cent.

Although there is no guarantee that the UK recovery will mirror that of the US indefinitely, there has been a fairly strong correlation so far.

The implication for gilts dealers of Friday's news is that in a year from now, the UK recovery will be as cautious and non-inflationary as the US pick-up is proving to be, some two years into its recovery. Such news has to be good for gilts.

But a glance at the latest round-up of City forecasts shows that analysts are far from agreed on the future course of inflation. Forecasts for growth in the retail prices index for 1994 currently range from 2.5 per cent to as high as 6.5 per cent.

The UK government bond market appeared to enter a consolidation phase last week, with prices little changed on the week.

However, given lingering concerns about the future course of inflation based on the short-track record of recent improvements, the big question for dealers is where will the market head next. Have long yields dropped as far as they can, or do they, as in the US, have further to go?

On Friday, yields were virtually unchanged on the week, in spite of a fairly busy week's trading.

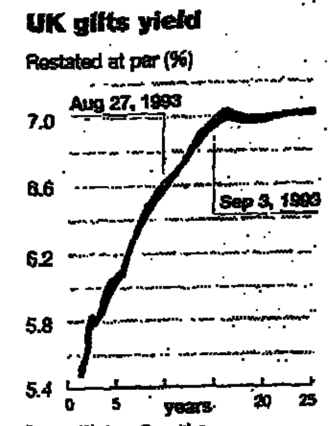
The yield on the 7¾ per cent Treasury bond maturing in 1998 was 6.31 per cent, compared with 6.30 per cent on the previous Friday's close. Further out, the 15-year 9 per cent bond yield closed at 7.22 per cent compared with 7.24 per cent a week earlier. The yield on the 8¾ per cent Treasury bond maturing 2017 was virtually unchanged at 7.22 per cent.

Although the spread of forecasts for inflation is wide, most economists do not expect the RPI, excluding mortgage interest payments, to breach the upper limit of the government's 1 per cent to 4 per cent target range in 1994. Even those who were pessimistic at the beginning of the year are revising their forecasts downwards.

"Earlier this year we were gloomier about inflation than we are now," said Mr Keith Skeoch, chief economist at James Capel. "But the rebound that we were expecting from food retailers did not happen and service sector inflation has also come down sharply."

UK gilts yield

Restated at par (%)



Source: Warburg Securities

Analysts also appear to be drawing comfort from the very apparent commitment of Mr Eddie George, the new governor of the Bank of England, to holding down inflation. Last week, Mr George told the Securities and Investment Review that it was unacceptable to accept even a little bit of inflation.

"The danger is that it accelerates in an uncontrollable way to become quite a lot of inflation," he said.

There are even suggestions that the UK's notorious attachment to inflation is being broken at a more fundamental level.

"While the current low level of inflation is largely a consequence of the recession, a low inflation psychology is developing in the UK and a policy framework now exists to manage it. So a low inflation recovery is possible," says Mr Simon Briscoe, economist at SG Warburg Securities.

Brave words indeed. If so, gilts may yet go on to perform as well as their US counterparts. However, even those who are most bullish about prospects for inflation would perhaps like to see just a little bit more evidence that it has been stifled before another rally in gilts can take off.

● Money supply figures from the Bank of England on Friday showed that overseas enthusiasm for gilts has been going from strength to strength.

The Bank sold a record £1.9bn of gilts to foreign investors in July, following sales of £1.1bn in June. The record July sales came in a month that saw yields drop by 75 basis points.

The August M0 figure contained little to worry the gilts market. Narrow money grew by 5.2 per cent in the year August, which was slightly lower than expectations of 5.4 per cent.

The figure, which pointed to a steady recovery in consumer spending, was anyway inflated by a big increase in the annual rate of bankers operational deposits, which comprises a small part of M0. These are more influenced by conditions in the money markets than by economic activity.

Emma Tucker

BELGIAN BONDS

Snowballing debt keeps yields above 7%

IN the European bond market rush for the pot of gold, Belgium has been left at the back of the queue. While its EC partners have seen phenomenal rallies in the past few months the Belgian bond market has languished.

A league table of international debt markets monitored by J. P. Morgan shows Belgium as the worst performer in August, providing a return of only 0.61 per cent in local currency terms – for the same period Italy's return rose 5.54 per cent.

Then, late last week, when many were beginning to consider that Belgian debt prices had been left too far behind, the central bank announced it was raising central interest rates from 9.5 per cent to 10.5 per cent. The news sent bond prices plunging by up to two percentage points for some maturities. A wave of selling pushed the yield on 10-year bonds back up to 7.3 per cent against 7 per cent in July.

On Friday, prices continued to fall and yields to rise, widening the gap with German bund returns to some 115 basis points as the market factored in a slide in the Belgian franc to BFr23 against the D-Mark. Some analysts believe there will be no pick-up until early November and then only if wages are frozen under the social pact to be thrashed out at the end of the month.

Belgium's problems are encapsulated in its soaring public debt, which stood at around 116 per cent to GNP last year, the highest in the OECD. Ms Jane Edwards, economist with Lehman Brothers, says the recession and the central bank's determination to maintain high rates to protect the currency's parity with the D-Mark are leading to snowballing debt, a situation where debt spirals because high debt means high interest rates which lead to more debt. She says interest payments on public debt were close to BFr800bn last year and are unlikely to fall this year or next.

Ms Edwards argues that Belgian bonds will be attractive once a wage agreement is reached. But any solution to the crisis is likely to involve lower short-term rates which will also weaken the currency, so overseas buyers would have to hedge against currency falls.

A more optimistic case is put by Bear Stearns, the US securities house, which has taken the widening spread between Belgian and German 10-year paper as a pointer to the prospective value and recommends a switch from bunds to Belgian paper.

Mr Craig Shute, an economist with Bear Stearns, claims: "Domestic considerations point to lower short-term rates by the end of the year, even if it means breaking the franc/mark tie." Mr Shute published his research shortly before last Thursday's plunge and when the bund/Belgian bond spread was around 85 basis points.

Whether his enthusiasm is justified depends on whether Belgium is prepared to unshackle its monetary policy from that of Germany, where unification has led to relatively high inflation that has to be fought by a tight monetary policy.

As with Denmark, Belgium fears that a decoupling of monetary policy from Germany would reveal fundamental economic problems that could be ignored when the European monetary union project was strong.

But since the widening of the European exchange rate mechanism divergence margins from 2.25 per cent to 15 per cent the German link has looked increasingly spurious. Two weeks ago, a group of 14 Flemish economists called for monetary policy to be relaxed. They said that continuing to tie the Belgian franc to the D-Mark – a policy pursued since 1990 – would damage industry and employment prospects and was no longer an acceptable option.

Late on Friday, speculation that the Belgian franc's tight link to the D-mark would be dropped as well as news that the state budget deficit rose to BFr76.9bn in August left short- and long-term debt markets rudderless.

Peter John

Notice, for information only, to the Bondholders of

SCA CAPITAL CORPORATION B.V.

ECU 101,000,000

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NOTICE TO BONDHOLDERS

The Board of Directors of Svenska Cellulosa Aktiebolaget SCA (the "Company") have on August 27, 1993 decided to increase the Share Capital of the Company through a Rights Issue of Shares with a preferential right for the shareholders to subscribe for the New Shares. The decision is subject to the approval of an Extraordinary General Meeting of the Shareholders of the Company to be held on September 23, 1993.

The shareholders are entitled to subscribe for one New Share for each ten shares held at a price of SEK 80 per share. Shares of Class A carry the right to subscribe for shares of Class A or Class B and shares of Class B carry the right to subscribe for shares of Class B.

The Record Date at VPC, the Swedish Share Register Center, for determining those shareholders entitled to subscribe for the New Shares is the close of business in Stockholm on September 28, 1993.

Subscription for the New Shares shall be effected by payment between October 4, 1993 and the close of business in Stockholm on October 27, 1993.

Conversion of Bonds must be effective, as defined in Condition 5(c) of the Bonds, on September 17, 1993 at the latest to entitle Shares issued upon such Conversion the right to participate in the Rights Issue.

The Offer to subscribe for New Shares constitutes a Closed Period, pursuant to Clause 9 (B) (4) (i) of the Trust Deed dated 17th January, 1989, commencing on September 18, 1993 and ending on the close of business in Stockholm on September 28, 1993.

An adjustment (if any) of the Conversion Price will be effective as from November 1, 1993 but with retroactive effect as from September 29, 1993.

Stockholm in September 1993
SVENSKA CELLULOSA AKTIEBOLAGET SCA
The Board of Directors

SCA

This notice does not constitute an invitation or offer for the sale of any securities in Svenska Cellulosa Aktiebolaget SCA.

Notice

Notice, for information only to shareholders of Svenska Cellulosa Aktiebolaget SCA

Notice of share issue decision pursuant to Chap. 4 § 7 of the Swedish Companies Act

At a meeting of the Board of Directors of Svenska Cellulosa Aktiebolaget SCA held on August 27, 1993 it was decided – conditional upon the approval of a General Meeting of Shareholders – that the Company's share capital shall be increased by a maximum of SEK 185,321,730 through the new issue of not more than 5,838,227 Series A shares and 18,532,173 Series B shares, however, in a maximum not to exceed an aggregate of 18,532,173 Series A and Series B shares combined, each with a par value of SEK 10, in accordance with mainly the following terms.

The Company's shareholders have preferential rights to subscribe for one new share for each full multiple of ten old shares held, whereby old "A" shares carry rights to subscribe for "A" or "B" shares, as decided by the shareholder, and old "B" shares carry rights to subscribe for new "B" shares.

The issue price is set at SEK 80 for each new share. The record date for the new issue shall be September 28, 1993. Subscription shall be effected through payment during the period October 4 - 27, 1993. Proceeds accruing to the Company as a result of the new issue may amount to a maximum of SEK 1,482,573,840.

Excess subscription rights, in a number that is not sufficient to subscribe for one full new share, will be sold centrally in the market, for the account of the shareholder.

In order for holders of debt certificates linked to the Company's 1987/95, 1990/2000 and 1989/2004 subordinated convertible bond loans to be entitled to participate in the rights issue with shares arising through conversion, such conversion shall have been effected not later than September 17, 1993.

The decision documentation is available at the offices of SCA, Stureplan 3, Box 7827, S-103 97 Stockholm, Sweden.

Stockholm, August 1993
Board of Directors

SCA

This public notice does not constitute an invitation or offer for the sale of any securities in Svenska Cellulosa Aktiebolaget SCA.

INDEX CONSTITUENTS

LISTS OF the constituent stocks of the FT-SE Actuaries Share Indices series and other FT indices are available at no charge from The Manager, FT Statistics, One Southwark Bridge, London SE1 9HL

Information regarding the FT-Actuaries World Indices, including details of constituents, is available from:

Mark Zurack or Barbara Mueller
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New York 10004,
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(212-902-6777).

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WARRANTS: Equity warrant prem-exercise premium over current share price. Bond warrant on yield-to-maturity yield at current warrant price.

Closing prices on September 3

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CONFERENCES & EXHIBITIONS

SEPTEMBER 12-14
Infomercial Teleshopping '93: Europe and North America Working Together
The National Infomercial Marketing Association (NIMA) together with Advertising Age International will present a conference introducing senior North American and European executives from the infomercial, teleshopping and marketing industries to discuss the future of teleshopping.
Contact: Vivien Wallace, Lippin Wallace 071 630 5520
LONDON

SEPTEMBER 13
Critical Technologies for Europe: The 4th European Community Framework Programme for Research and Development.
Convened by The RIIA and PREST (Programme of Policy Research in Engineering Science and Technology). Enquiries: RIIA Conferences, The Royal Institute of International Affairs, Chatham House, 10 St James's Square, London SW1Y 4LE. Tel: 071 957 5700; Fax: 071 957 5710
LONDON

SEPTEMBER 13/14
Unit Trust Administration
A complete review of Unit Trust Administration and Operations including background Pricing and Dealing, Distribution, Reporting, Registration and Certification. Ideal for supervisors, staff and managers needing a detailed review. Course repeated regularly.
Contact: Investment Education plc Tel: 061-833 9656 Fax:061-834 8050
LONDON

SEPTEMBER 13/15
Investment Markets Briefing
Complete briefing on stockmarkets, bond markets, futures and options, institutional and portfolio investment. For IT executives, accountants, solicitors, trustees and other executives working in or with securities companies, but lacking detailed knowledge.
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SEPTEMBER 14
The Future of European Securities Trading
Major conference to examine the issues arising from the integration of European Securities Markets. Speakers include: Chairman of the London, Paris, Amsterdam, Frankfurt and Luxembourg Stock Exchanges; and senior representatives form Mercury Asset Management and Lombard Odier.
Contact: Alisor Elgar, Dow Jones Telerate Tel: 071 832 9332 Fax: 071 353 2791
LONDON

SEPTEMBER 14
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In-depth conference on opportunities, competitive factors, economics and marketing in the UK cable and telephony industry. Areas to be covered: Leverage to finance build, system consolidation, telcoms liberalisation, residential and business telephony.
Contact: Kagan World Media, Ltd. Tel: 071-371 8880 Fax: 071-371 8715
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SEPTEMBER 15
European Media & Communications: Deals and Finance
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SEPTEMBER 22
Overseas Property Seminar
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Contact: Sue Griffiths ERNST & YOUNG Tel: 071 931 2618
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SEPTEMBER 23
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For Free exhibition admission tickets contact Jane Malcolm-Coe, FMJ International Publications Ltd. Tel: (0737) 768611 Fax: (0737) 761685
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Corporate Actions
A detailed review of Corporate Actions including Rights, Scrips, conversions, interests and dividend payments, etc. Essential for all those working with securities and investments.
Contact: Investment Education plc Tel: 061-833 9656 Fax:061-834 8050
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SEPTEMBER 27
Regulation and Compliance: The SFA Rules
A complete review of all SFA rules for all those responsible, whether Compliance Officer, or a Director, Banker or Broker responsible for Regulation and Compliance adherence. Includes Conduct of Business, Client money etc, etc.
Contact: Investment Education plc Tel: 061-833 9656 Fax:061-834 8050
LONDON

SEPTEMBER 27
Working for your Health
CBI/BUPA Conference considers the benefits and challenges for companies in taking steps to improve employees' health. Rt Hon Virginia Bottomley will outline the Government's approach to health in the workplace.
Contact: Nicky Martin CBI Conferences Tel: 071 379 7400 Fax: 071 497 3646
LONDON

SEPTEMBER 28-29
FURNACES 93
Exhibition and Conference. The event for thermal processing specialists. St. John's Swallow Hotel, Solihull, West Midlands, England.
For free exhibition admission tickets contact Lorraine Rogers, FMJ International Publications Ltd. Tel: (0737) 768611 Fax: (0737) 761685
SOLIHULL

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Conference Fee: £65.00
Tel: 081-760 5729 Fax: 081-760 5655
CROYDON

SEPTEMBER 29 & 30
Managing Business Regulation Effectively
A two-day conference for directors and senior managers, focussing on risks associated with various company compliance issues and how to manage them successfully. Chairman: The Rt. Hon. Lord Donaldson of Lymington, Chairman of the Financial Law Panel.
Contact: Patricia Sheldon, Gee Conferences Tel: 071 538 5386 Fax: 071 538 8623
LONDON

SEPT 29/30 & OCT 1
The Health of Nations 1993
Health of Nations: Demand, Cost & Efficiency on policy issues and impact on providers, suppliers and investors. James Watson, Rolf Krebs and Lady Camberlege address this international conference sponsored by The Wall Street Journal Europe, medical, pharmaceutical, health care bodies, consultancies and banks.
Information: Cityforum Ltd Tel: 0225-466744 Fax: 0225-442903
EDINBURGH

SEPT 30 & DEC 17
Benchmarking - Organisational Performance & Improvement
A practical one-day seminar/workshop, lead by the authors of the Financial Times Business Series book on Benchmarking.
Contact: Sulli Bendell, Services Ltd. Tel: 0602 455285 Fax: 0602 817137
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Bill Conway, the first Western CEO to implement the Deming philosophy in the West, will present his Right Way To Manage Seminar. People of all levels can learn from his knowledge and turn philosophy into practice.
Mike Gallimore & Associates Ltd. Tel: (0621) 858058 Fax: (0621) 850972
BIRMINGHAM

OCTOBER 4 - NOVEMBER 22
FT - City Course
The objective of the course is to provide an understanding of all aspects of the operations of the City and the factors that make it a pre-eminent financial and trading centre.
Enquiries: Financial Times Tel: 071-814 9770 Fax: 071-873 3975/3969
LONDON

OCTOBER 5
Business Process Management
86 Park Lane, Mayfair, London
Update yourself with this radical approach to enhancing operational competence and so improving business performance.
Contact: Evanna Morris, CIMA Mastercourses Tel: 071 917 9244 Fax: 071 580 6991
LONDON

OCTOBER 5-6
The Frieghtconnection Conference & Exhibition '93
A conference examining transport reforms and opportunities affecting road & railfreight movements in Europe. Covering combined transport, road charging, railfreight privitisation, channel tunnel developments. Speakers include Roger Freeman MP, Sir Alastair Morton, Graeme Dunlop.
Contact: Iain Dale, The Waterfront Partnership. Tel: 071 730 0430 Fax: 071 730 0460
MANCHESTER

OCTOBER 6
The Role of the Company Secretary
Mountbatten Hotel, Covent Garden, London
Are you fulfilling your statutory obligations? This course will give you practical up-to-date knowledge of current companies legislation.
Contact: Evanna Morris, CIMA Mastercourses Tel: 071 917 9244 Fax: 071 580 6991
LONDON

OCTOBER 6/7
Introduction to Options Course - Parts 1 & 2
Day 1: Basic Terminology, Option Pricing, Trading & Hedging Strategies; Day 2: Volatility, Advanced Trading Strategies, Portfolio Management.
Venue: Cambridge Science Park, CAMBRIDGE. £345 (1 day only), £595 (both days)
Contact: Kathy Page, Ready Financial Seminars Tel: (0223) 423250
CAMBRIDGE

OCTOBER 11
Corporation Tax Update
Portland Thistle Hotel, Manchester.
Your company pays tax - what do you know about it? This course is designed for the non-specialist who requires a working knowledge of the main features of UK taxation.
Contact: Evanna Morris, CIMA Mastercourses Tel: 071 917 9244 Fax: 071 580 6991
LONDON

OCTOBER 11-13
TRANSFORM - The Systematic Approach to Managing Change
This new course, developed by Robert Gilbreath, world leader in change management, is aimed at executives who realise that success today is dependent on having practical methods and techniques for leading change.
Proudfoot Change Management Tel: 081 948 8333 Fax: 081 940 8293
LONDON

OCTOBER 11 & 12
Managing the Future
The Management Charter Initiative's (MCI) fifth National Conference will address the practical issues faced by managers as they fight their way out of recession, and look at the skills and qualities that they will need to help their organisations survive and prosper.
Tel: 071-872 9000 Fax: 071-872 9099
LIVERPOOL

OCTOBER 11-14
Using Interest Rate Derivatives in Trading and Managing Risk
London Business School Financial Software's comprehensive seminar, more than 50% of which is devoted to practical small group workshops. Ability to select the days you would like to attend.
Contact: Antony Webb Tel: 0923 825663
LONDON

OCTOBER 12
Selling Your Business to Management
Scandic Crown Hotel, Victoria, London
Guidance through all aspects of management buy outs, including the benefits and pitfalls of an MBO approach to divestment.
Contact: Evanna Morris, CIMA Mastercourses Tel: 071-917 9244 Fax: 071 580 6991
LONDON

OCTOBER 13
Banking on Change
International Scenarios for Banks in the 1990s. The first of a series of 8 breakfast presentations, one a month, delivered by Christopher Johnson, former General Manager and Chief Economic Adviser, Lloyds Bank. They are designed for Senior Bank Management in London.
Contact: John Whitley - Lafferty Training Tel: 071 782 0590 Fax: 071 782 0595
LONDON

OCTOBER 13
New US Trade, Tax & Envirnt'l Regulations: Their Impact on Corporate Profit
From Wash. D.C., US Trade Representatives will present the Clinton Admin's trade & tariff policies; plus a focus on the new unitary tax laws, it's impact on multinational corps and environmental laws' impact on insurance and construction. Luncheon speaker: Frederick Forsyth. The Stanford Bridge Group, supported by Bank of America & B.A.C.C.
Contact: Jo Ellis Tel: 0279 508702
LONDON

OCTOBER 14
City of London Derivatives Conference
To be opened by Dr Henry Kaufman this Cityforum conference covers the markets, their regulation, and controlling the risks. Central Banking and The Centre for the Study of Financial Innovation, Swiss Bank Corp, Arthur Andersen and Freshfields sponsor.
Information: Marc Lee, Cityforum Ltd Tel: 0225-466744 Fax: 0225-442903
LONDON

OCTOBER 14
How To Succeed as a Supplier
This one-day conference will address the key issues involved in becoming a successful supplier including competitive tendering, contractual terms, quality standards and debt collection.
Enquiries: Director Conferences Tel: 071-730 0022
LONDON

OCTOBER 14-15
Business Performance Measurement: Identifying and managing the drivers of future profitability
A major two-day international management conference on how and why organisations are broadening their performance measurement systems to include drivers of future value such as quality, customer service and human capital.
Contact: Business Intelligence Tel: 081-544 1830 Fax: 081-544 9020
LONDON

OCTOBER 18-19
COMEX 93
A three track Mobile Communications International Conference, covering Cellular for the Mass Market, Mobile Data Developments, Wireless Local Loop. Speakers include Jim Norton Radiocommunications Agency, Thomas Wheeler, Cellular Telecommunications Industry Association USA, Alex Arena, Hong Kong Telecommunications.
Contact: Richard Huxley, The Federation of Communication Services Tel: 081-778 5656 Fax: 081-778 8402
LONDON

OCTOBER 18-22
New Cards Strategies for Banks and Retailers
Michael Bliss, former Chief Executive of Fraser Financial Services and a leading consultant to the Cards industry, leads this exciting programme focusing on recent developments, particularly with Loyalty Cards and Affinity Cards.
Contact: John Whitley - Lafferty Training Tel: 071 782 0590 Fax: 071 782 0595
LONDON

OCTOBER 19-21
Processing and Packaging Machinery Association: PPMA Show
An exhibition dedicated entirely to machinery for those who process and package food, pharmaceuticals, cosmetics, chemicals, beverages, DIY goods etc. Over 400 major machinery manufacturers exhibiting. MANY NEW MACHINES ON SHOW.
Tickets from Bill Lake Tel: 081-681 8226 Fax: 081-681 1641
TELFORD UK

OCTOBER 20-21
Know Your Competitors
Competitor Intelligence & Analysis inc. Benchmarking.
A practical two day seminar/workshop from the UK's No.1 specialists. Practical case exercises, successful case studies. Guest speaker who is head of a major company's intelligence unit.
Contact: Patricia Donnard EMP Intelligence Service Tel: 071-497-5665 Fax: 071-935-1640
LONDON

OCTOBER 25
Downsizing IT: The Management Challenge
A one-day management conference presenting a balanced view of the major factors to be taken into account when seriously considering, planning or implementing a downsizing strategy.
Contact: Business Intelligence Tel: 081-544 1830 Fax: 081-544 9020
LONDON

OCTOBER 25 & 26
Acquiring and Valuing in Germany
The M&A market in Germany has never favoured the buyer more than at present. This course is designed for those wishing to profit from these developments and who need to gain the skills to make successful acquisitions in Germany.
For further details contact: Acquisitions Monthly Tel: 071 823 8740 Fax: 071 581 4331
LONDON

NOVEMBER 1 & 2
Restructuring and Refinancing - Emerging from the Recession
Businesses which have survived the recession must now consider both their short and long term strategies. This workshop will equip you with the skills and information necessary to gain a competitive advantage in the post recession market.
For further details contact: Acquisitions Monthly Tel: 071 823 8740 Fax: 071 581 4331
LONDON

NOVEMBER 2-3
"Recognition International 93: Conference and Exhibition
Novotel London, Hammersmith
Europe's largest exhibition devoted to Recognition Technology for Data Entry, Document Management and Publishing. Virtual Reality International 94: Conference and Exhibition, 1-2 February 1994, Novotel London, Hammersmith. Europe's premier trade event for VR developers, operators and investors.
Further details from Meckler: Tel: +44 71 976 0405 Fax: +44 71 976 0506
LONDON

NOVEMBER 8
Successful Outsourcing: The Challenge for I.T.
This one-day conference is specifically designed to help senior I.T. and business managers assess the potential value of outsourcing to their organisations and to identify the factors that contribute to the successful selection and management of such arrangements.
Contact: Business Intelligence Tel: 081-544 1830 Fax: 081-544 9020
LONDON

NOVEMBER 11-12
Hotel Investment and Tourism Development in Central and Eastern Europe
Investment opportunities in 13 countries - and how to finance them. Plus essential information on investment conditions in each country. The unmissable one-stop event for established investors and those exploring the market.
Development Journal/Touche Ross Tel: 071 242 1280 or Tel: 0223 315319 Fax: 0223 355679
LONDON

NOVEMBER 14-16
CBI National Conference
Sessions include - UK Economy, Europe, World Trade, Government/Industry partnership, Training and Employment. Speakers include - Kenneth Clarke, Jacques Delors, Michael Heseltine and John Smith. Contact Special Events department CBI Tel: 071 379 7400 Fax: 071 497 3646
HARROGATE

NOVEMBER 15
Auditing the Regulated Sectors
Coping with the New Regulations. New statutory duties for auditors of all businesses regulated by FSA, Building Societies Act and Friendly Societies Act mean changes in working practices and added potential liabilities. CPD 6 hours. CPE 8 points.
Contact: Linda McKay, IBC Tel: 071 637 4383 Fax: 071 631 3214
LONDON

NOVEMBER 16-17
BPR 93: The 1st annual conference and exhibition on Business Process Re-engineering
Two-day conference outlining the opportunities presented by taking a process view of your business. Senior representatives from leading companies in the US & UK outline how business re-engineering has enabled them to achieve major improvements in corporate performance.
Contact: Business Intelligence Tel: 081-544 1830 Fax: 081-544 9020
LONDON

NOVEMBER 22 & 23
The Fifth FT Petrochemicals Conference
The aim of this year's meeting is to provide a high-level forum to discuss the challenges currently facing the petrochemical industry and examine developments in key markets.
Enquiries: Financial Times Tel: 071-814 9770 Fax: 071-873 3975/3969
LONDON

NOVEMBER 22
The Economics of Rail Privatisation
The conference will examine the opportunities and pitfalls in passenger service franchising, the new leasing market and management of the track infrastructure.
Enquiries: Financial Times Tel: 071-814 9770 Fax: 071-873 3975/3969
LONDON

NOVEMBER 29
Money Laundering
How do you prevent the laundering of dirty money - how do you detect it and to whom do you report it? Serious penalties for failure. Compliance Surgery offers chance to have your own questions answered. CPD 6 hours.
Contact: Athina Peters, IBC Tel: 071 637 4383 Fax: 071 631 3214
LONDON

NOVEMBER 30 - DECEMBER 2
Business in Britain Exhibition and Conference
A 200 stand exhibition and 75 seminar conference. A one-stop shop aimed at business managers of companies with up to £25 million turnover. Provides a forum for business advisers and managers planning for and seeking expansion. Opens on Budget Day.
Contact: Charles Horsor Tel: 081-673 7766
LONDON

NOVEMBER 30
Insider Dealing
Insider Dealing now seriously considered a criminal offence and increasing resources will be devoted to the discovery and punishment of offenders. You must have confidence that your existing compliance procedures are adequate and up to date. CPD 5.5 hours.
Contact: Athina Peters, IBC Tel: 071 637 4383 Fax: 071 631 3214
LONDON

NOVEMBER 30 - DECEMBER 1
The UK Conference on Customer Service Management
This conference will tackle the major issues facing organisations striving for quality and service excellence. Speakers include the Chief Executives of DHL, Digital, KwikFit, N&P, Directors from British Gas, Royal Mail, Senior Managers from Marks & Spencer, Mercury Communications.
Contact: CSM Conferences Tel: (0943) 817993 Fax: (0943) 817933
LONDON

DECEMBER 2
COMPUTER LITIGATION - How to Protect Your Interests and Obtain Redress
A practical and commercial approach to defending and managing IT cases and presenting evidence. Essential for IT companies, departments and lawyers. CPD 5 hours.
Contact: Linda McKay, IBC Tel: 071 637 4383 Fax: 071 631 3214
LONDON

INTERNATIONAL

SEPTEMBER
International Tax Conferences
Ernst & Young's International Conference Calendar:
9 September: International Tax and Insurance, Helsinki
30 September: International Oil and Gas Tax, Amsterdam
Contact: Michelle Beard, Ernst & Young Tel: 071 931 2297
HELSINKI/AMSTERDAM

SEPTEMBER 22-24
Intermedia Europe 1993
The third European Conference and Exhibition on Multimedia and CD-ROM, takes place in Wiesbaden, Germany. For more information, please contact Reed Exhibition Companies, Düsseldorf Tel:-+49-211-556281 Fax:-+49-211-556231
WIESBADEN

SEPTEMBER 23 & 24
The 5th Economist Telecommunications Conference: Prospects for Global and Local Competition
This year's event looks at prospects for Global Competition (market/players & services/finance & regulatory barriers) and Local Loop Competition (costs & benefits/existing & potential players/EC Policies.) Listen to those already meeting and surmounting these competitive pressures.
Contact: Fiona Pink, The Economist Conferences Tel: 071 493 6711 Fax: 071 409 3296
VIENNA

OCTOBER 8
Getting the Best out of Belgium
Executive briefing to help you plan your move to the heart of Europe. Includes legal, financial and marketing issues, also family relocation. Held during the Brussels Welcome Fair - a comprehensive introduction to this truly international community. British Chamber of Commerce in Belgium.
Tel: +32 2 678 4790 Fax: +32 2 678 4791
BELGIUM

OCTOBER 14-15
EUROAID '93 Conference European Community Aid for Development
Aid Programme opportunities for EC companies (40 billion ECU by 1999) in: Africa, Caribbean, Pacific, Asia, Latin America, Mediterranean, Central & Eastern Europe and CIS.
Contact: Société Générale de Développement S.A. Tel: +32 2 512 4636 Fax: +32 2 512 4653
BRUSSELS

OCTOBER
International Tax Conferences
Ernst & Young's International Conference Calendar:
14 October: International Tax Planning, London
25 October - International Human Resources Planning, San Antonio, Texas
28 October - International Tax Planning, Toronto
Contact: Michelle Beard, Ernst & Young Tel: 071 931 2297
LONDON, TEXAS, TORONTO

NOVEMBER 4-5
The Food and Drink Industry in Central and Eastern Europe: Latest Market Trends and Corporate Developments
Speakers include BBDO Europe, Central Europe Trust, CPC, CRAM, Heinz, Kraft, MacDonalds, Oetker, Pepsicola, PROMAR and Vitana.
Contact: Management Centre Europe, Brussels. Tel: 432-2-516.19.87, Fax: 432-2-513.71.08
BRUSSELS

NOVEMBER 5-9
EXPO FOOD 93
Exhibition of food and drink. Reserved for trade only.
For further information, please contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, tel (+39 2) 49971, fax (+39 2) 4997 7179 or in the UK: OTSA Ltd, tel 071 486 1951
MILAN

NOVEMBER 5-9
EXPO MARKET 93
Exhibition of equipment, technology and services for trade companies. Reserved for trade only.
For further information, please contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, tel (+39 2) 49971, fax (+39 2) 4997 7179 or in the UK: OTSA Ltd, tel 071 486 1951
MILAN

NOVEMBER 5-9
EXPO TOUR 93
Exhibition of equipment, technology and services for the tourist trade. Reserved for trade only.
For further information, please contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, tel (+39 2) 49971, fax (+39 2) 4997 7179 or in the UK: OTSA Ltd, tel 071 486 1951
MILAN

NOVEMBER 5-9
EXPO VIP 93
Exhibition of products, equipment and facilities for high class restaurants. Reserved for trade only.
For further information, please contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, tel (+39 2) 49971, fax (+39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951
MILAN

NOVEMBER 15-18
International Service & Quality Forum
The Euro Disney Resort, Paris
Explore the best practices of winning organisations from around the world. Develop quality and service strategies to help your organisation thrive in today's changing markets. Network with managers from around the world.
U.S. Tel: 1-612-340-4744 Fax: 1-612-340-4759 Paris: Tel: 33 (1) 42 67 55 22 Fax: 33 (1) 42 67 55 21
PARIS

NOVEMBER 23-27
11th Rich & Mac
International exhibition of chemistry, chemical equipment for analysis, research test and biotechnology. Reserved for trade only.
For further information, please contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, tel (+39 2) 49971, fax (+39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951.
MILAN

NOVEMBER 23-27
BIAS 93
International exhibition of automation, robotics and microelectronics. Reserved for trade only.
For further information, please contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, tel (+39 2) 49971, fax (+39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951.
MILAN

NOVEMBER 25 & 26
Global Panel Maastricht
Patterns of a changing world. An international conference, on new challenges facing the global business community. Including plenary sessions, working luncheons and parallel sessions. The principle issues: Economy Today, A world of Megacompetition, Peace and Security.
Enquiries: ERC, Vlaardingen tel: +31-10 234 01 55 fax: +31-10 460 4969
MAASTRICHT

NOVEMBER 25-26
International Pharma Marketing Conference
"Optimising Pharma Product Portfolios in a Period of Slow Growth". This international conference for senior pharma marketeers focuses on a highly promising optimisation strategy: product portfolio optimisation.
Contact: Management Centre Europe, Brussels. Tel: +32-2-516.19.87 Fax: +32-2-513.71.08
BRUSSELS

NOVEMBER 30 - DECEMBER 2
ESMA
International Knitwear and Clothing Exhibition. Autumn/Winter 94/95 collections for men, women and children. Reserved for trade only.
For further information, please contact: Fiera Milano, Largo Domodossola 1, 20145 Milan. Tel: (+39 2) 49971 Fax: (+39 2) 4997/7179 or in the UK: OTSA Ltd, Tel: 071-486 1951.
MILAN

DECEMBER 1-3
EC - Korea Electronics Industries Forum
Dynamic reforms in Korea offering growing business opportunities for EC companies - a multi-dimensional programme organised by the European Commission and the Electronics Industries Association of Korea (EIAK). Comprising: Plenary Meeting, Technical Presentations/Workshops, Bi-Lateral Meetings, Poster Sessions, Industrial Visits, Secretariat assistance and more.
Contact: EC Secretariat, London Tel: (+44 81) 660 7290 Fax: (+44 81) 660 7971
SEOUL

TO ADVERTISE IN THIS SECTION PLEASE CALL ALISON PRIN ON 071 407 5752

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close September 3

Quotations in cents unless marked $

MONTREAL

4 pm close September 3

Total Sales 18,484,035 shares

INDICES

NEW YORK

DOW JONES	Sep 3	Sep 2	Sep 1	Aug 31	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3633.93	3626.10	3645.10	3651.25	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (2/7/32)
Home Bonds	109.24	109.35	109.39	109.34	109.45 (30/8)	103.49 (11/1)	109.45 (30/8/93)	54.99 (1/10/81)
Transport	1623.98	1631.98	1650.78	1665.53	1683.08 (18/4)	1453.84 (4/1)	1683.08 (18/4/93)	12.32 (8/7/32)
Utilities	254.55	253.63	255.34	256.46	258.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3651.53 (3660.19) Low 3603.75 (3610.17) (Theoretical♦)
Day's High 3638.12 (3648.48) Low 3618.85 (3623.59) (Actual♦)

STANDARD AND POOR'S

	Sep 3	Sep 2	Sep 1	Aug 31	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	461.34	461.30	463.15	463.56	463.56 (31/8)	429.05 (8/1)	463.56 (31/8/93)	4.40 (1/6/32)
Industrials♥	521.97	522.17	524.10	524.47	524.99 (10/3)	496.48 (28/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	46.97	46.81	47.05	47.11	47.11 (31/8)	39.89 (8/1)	47.11 (31/8/93)	8.64 (1/10/74)
NYSE Composite	256.22	256.11	256.88	256.88	256.88 (31/8)	236.21 (8/1)	256.88 (31/8/93)	4.46 (25/4/42)
Amex Mkt. Value	461.57	461.28	458.97	458.60	461.57 (3/9)	395.84 (8/1)	461.57 (3/9/93)	29.31 (9/12/72)
NASDAQ Composite	749.71	748.65	746.15	742.86	749.71 (3/9)	645.87 (26/4)	749.71 (3/9/93)	54.87 (31/10/72)

	Aug 27	Aug 20	Aug 13	year ago (approx.)
Dow Industrial Div. Yield	2.80	2.82	2.86	3.16
	Sep 1	Aug 25	Aug 18	year ago (approx.)
S & P Industrial div. yield	2.45	2.46	2.48	2.83
S & P Indl. P/E ratio	28.07	27.86	25.60	27.52

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
ADV Micro	4,113,300	29¼	- 1¾
Wal-Mart	3,603,300	24½	- ¼
Merck	3,432,400	33	- ⅛
RJR Nabisco	2,055,000	5	+ ⅛
Chrysler	1,784,700	42	- ¾
Gen Motors	1,768,100	44⅞	- ¼
Fed Dept Sts	1,784,300	20½	+ ⅜
Sunshine Min	1,678,800	2⅝	- ⅛
K-Mart	1,566,100	22⅛	- ¼
Am Barrick	1,530,700	24	- ½

TRADING ACTIVITY

† Volume Millions	Sep 3	Sep 2	Sep 1
New York SE	195.917	259.894	244.963
Amex	16.845	22.133	17.265
NASDAQ	(u)	294.779	261.360
NYSE			
Issues Traded	2,615	2,614	2,598
Rises	1,028	936	1,009
Falls	891	1,020	936
Unchanged	696	658	654
New Highs	161	159	176
New Lows	12	10	9

CANADA

TORONTO	Sep 3	Sep 2	Sep 1	Aug 31	1993 HIGH	1993 LOW
Metals & Minerals	3105.51	3115.22	3121.13	3109.19	3140.94 (16/8)	2743.31 (21/1)
Composite	4125.80	4137.09	4143.70	4137.60	4143.70 (1/9)	3275.89 (21/1)
MONTREAL Portfolio	1955.22	1957.40	1963.55	1958.99	1963.55 (1/9)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	Sep 3	Sep 2	Sep 1	Aug 31	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1952.0	1968.4	1977.1	1952.2	1977.10 (1/9)	1495.00 (13/1)
All Mining (1/1/80)	851.8	868.9	878.5	878.8	904.50 (2/8)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	402.25	400.58	401.78	403.05	403.05 (31/8)	300.26 (14/1)
Traded Index (2/1/91)	1018.96	1015.19	1014.31	1014.08	1018.96 (3/9)	712.08 (15/1)
BELGIUM						
BEL20 (1/1/91)	1350.64	1315.50	1317.36	1306.76	1365.70 (12/8)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	335.32	337.22	334.82	334.24	340.58 (19/8)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1371.3	1375.4	1416.0	1431.1	1492.90 (19/8)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	595.32	593.90	600.39	600.51	600.51 (31/8)	471.24 (13/1)
CAC 40 (31/12/87)	2156.08	2185.12	2191.85	2216.49	2216.49 (31/8)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	743.36	739.03	744.56	746.41	746.41 (31/8)	598.92 (14/1)
Commerzbank (1/12/53)	2120.3	2106.7	2122.7	2126.6	2126.60 (31/8)	1694.30 (14/1)
DAX (30/12/87)	1925.16	1925.62	1918.58	1944.89	1644.89 (31/8)	1518.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7512.13	7493.45	7542.19	7549.73	7605.26 (19/8)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1740.44	1740.72	1740.02	1753.68	1754.84 (19/8)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	628.95	620.88	625.67	631.84	632.86 (30/8)	446.33 (8/1)
MIB General (4/1/93)	1383.0	1385.9	1376.0	1388.0	1390.00 (30/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	21116.21	20983.20	20953.30	21026.68	21116.21 (3/9)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1698.57	1693.98	1689.41	1693.09	1698.67 (3/9)	1250.06 (25/1)
2nd Section (4/1/68)	2270.25	2268.58	2260.25	2252.35	2384.97 (7/6)	1651.72 (28/1)
MALAYSIA						
KLSE Composite (4/4/86)	851.43	851.16	821.04	(c)	851.43 (3/9)	614.28 (13/1)
NETHERLANDS						
CBS TR.Ret.Gen.(End 1983)	375.3	380.7	382.5	385.2	385.20 (31/8)	285.78 (4/1)
CBS All Shr (End 1983)	245.8	249.4	250.5	252.3	252.30 (31/8)	188.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	934.47	927.41	927.40	936.39	979.17 (13/8)	668.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1877.75	1842.72	1827.20	1780.79	1877.75 (3/9)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	518.08	512.14	509.43	507.57	518.08 (3/9)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1645.0♥	1722.0	1752.0	1747.0	2098.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4598.0♥	4620.0	4627.0	4633.0	4719.00 (8/7)	4333.00 (16/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	680.36	678.03	674.86	684.88	777.25 (9/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	294.36	296.31	295.09	303.12	304.88 (30/8)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1282.7	1273.9	1262.1	1261.4	1339.10 (18/8)	878.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1062.1	1066.0	1064.9	1071.9	1077.90 (25/8)	904.80 (11/1)
SBC General (1/4/87)	839.2	844.8	848.0	852.4	854.70 (25/8)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	3817.12	3882.70	3859.08	3892.04	5013.28 (7/4)	3698.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	991.32	987.11	978.91	963.18	998.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	600.5*	600.2	602.0	603.6	603.60 (31/8)	488.60 (13/1)
Euro Top-100 (26/6/90)	1120.01	1119.85	1119.80	1132.03	1133.15 (30/8)	862.73 (18/1)

**Saturday August 28: Taiwan Weighted Price; 3927.75, Korea Comp Ex: 689.82.
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, 983.20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Friday, September 3, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	11.9m	883	+35	Fujitsu	5.8m	837	-7
Nippon Steel	9.5m	364	-11	Nikkatsu	5.5m	29	-1
Toshiba Corp	7.1m	719	+22	Mitsui Co	5.1m	812	+13
Sanyo Co	6.5m	2,860	+160	Itochu Corp	5.1m	651	+3
Toyota Motor	5.9m	1,700	+30	Daiei	4.4m	1,420	+80

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FINANCIAL TIMES

FAR MORE THAN FINANCE.

In the bomb-blasted City of London, the worst may be over for reinsurers PAGE II

FINANCIAL TIMES SURVEY

REINSURANCE

Natural disasters have been happening more frequently than in the past PAGE III

Monday September 6 1993

New capital is flowing into the reinsurance industry, writes Richard Lapper. But as the markets absorb the cost of a series of recent largescale disasters, they are under continued pressure to raise premiums and to limit the scope of cover

Reaping the whirlwinds

AS REINSURERS MEET in Monte Carlo today for their annual rendezvous, investors are showing an almost feverish interest in their industry.

Yet in spite of the flow of new capital into the catastrophe market in Bermuda and to a lesser extent in London, international markets are still short of capacity, following the increase in both the number and scale of catastrophe losses in recent years.

Bermuda has been the biggest beneficiary of the surge in investor interest, with more than half a dozen new companies, specialising in catastrophe reinsurance, choosing to base themselves on the island in recent months. The biggest new venture is a company, called Partner Reinsurance, launched a week ago by Swiss Re, the world's second biggest reinsurer, John Head, the US investor, and other institutional investors.

The three original shareholders have invested \$255m and intend to raise a further \$500m from US, European and Japanese equity markets. Mr Walter Kielholz, a director of Swiss Re, said the aim of the project was to "generate as much new capacity as possible".

Earlier this summer investors – ranging from insurers and reinsurers such as American International Group, General Re and USF & G, brokers such as Johnson & Higgins and financial houses such as Goldman Sachs – announced backing for four separate ventures with a combined capital of more than \$1bn.

The biggest of these – Tempest Reinsurance – is expected to have up to \$500m in capital, while International Property Catastrophe Reinsurance Co, backed by AIG and others, is capitalised at \$300m. In another move Mid-Ocean, a venture started by Marsh McLennan and JP Morgan last year with capital of \$350m, raised a further \$250m through an initial public offering in New York. Separately it emerged in August that both SCOR, the French reinsurer, and Centre Re, now controlled by Switzerland's Zurich Insurance, are both considering new Bermuda-based catastrophe reinsurance subsidiaries.

In London, two US insurance companies have announced plans to launch new subsidiaries, dedicated to the catastrophe reinsurance market, while Benfield Group, a fast growing reinsurance broker, is expected to launch a new reinsurance company in the autumn with about £50m in capital, while Australian investors are preparing to inject A\$300m into a new Sydney-based facility.

This influx of capital will ease capacity shortages but it is unlikely to be sufficient to depress rates, which have risen strongly since 1989 following a series of multi-billion pound insurance losses. The impact of hurricane Andrew last year, which left losses of more than \$15.5bn and was the biggest ever US catastrophe loss, underlined the increasing scale of catastrophes in recent years.

Mr Alan Badanes, who specialises in insurance mergers and acquisitions with Chase Manhattan, says that even after the most recent announcements in Bermuda, the amount of new money is still dwarfed by the volume of capital which has left the industry in recent years. "Any way you look at it there is a big hole to fill. In terms of raw supply and demand this means prices should hold up for the next few years," says Mr Badanes.

In London, underwriters and brokers expect the extra capacity will allow them to stabilise covers and rates at present levels. They stress that at least as far as the 1994 renewal season is concerned most Bermudian underwriters are following the rates set by underwriters in London.

Mr Richard Keeling, underwriter with Murray Lawrence syndicate 362, and a leader of reinsurance business in London, says that some buyers of catastrophe covers, from Australia, for example, could even face rate increases. But he hopes that increases will be avoided elsewhere. "With a bit of luck we can stabilise the catastrophe product."

Mr Keeling is expecting the most substantial rate increases in the market for risk excess covers, which cover the peak exposures of a ceding company. Rates in the risk excess market vary by as much as 500 per cent. "The market has got to a point where it needs to be repricing the product."

The "hardening" is likely to be as pronounced in the proportional market – where reinsurers assume a set percentage of exposures in return for the same percentage of original premium less a ceding commission. Europe's biggest reinsurers are still not satisfied that rates have been increased to adequate levels. Last year the withdrawal of Munich Re and some of its European rivals from some markets increased capacity shortages and spurred further rate increases.

Munich Re excluded some catastrophe risks from policies in the hurricane-prone Caribbean, for example, and refused to cover terrorism in policies sold to UK insurers, following the IRA bomb attacks of April 1992. This latter move caused confusion in the UK industry and, in spite of the establishment of a new government-backed reinsurer, Pool Re, many of the country's businesses are now not protected from terrorist incidents.

Dr Fedor Nierhaus, a management board member at Munich Re, says that original rates for earthquakes and storms are still too low in almost all markets and that commercial lines business is still heavily underpriced, hinting that further tightening could be on the way. "We have taken the view that we can't follow these inadequate original rates any longer. We can only agree a separate reinsurance price. If we cannot get an adequate price we must reduce coverage," he says.

Reinsurers are likely to press for the introduction of loss participation clauses and lower commissions on proportional business. Reinsurers could also insist on new restrictions to the wordings of proportional treaties, including caps on catastrophe exposures.

Caps have been introduced in most American proportional treaties over the last 12 months, according to Standard & Poor's, the US rating agency. Dr Nierhaus says Munich Re intends to press for similar changes elsewhere and says that reinsurers will be unable to give "unlimited cover for each loss event". The company will "pursue this limitation. It is a matter of fundamental importance," he adds.

Underwriters in London now expect other European reinsurers to follow suit, a development which could leave some European insurers with problems. "This is very serious especially for French and German insurers who have no idea about the size of their exposures," said a Lloyd's underwriter. These companies will come under more more pressure from their reinsurers to provide more detailed information to their reinsurers detailing their exposures to storm and other catastrophe risks.

One other implication is that hard pressed and financially weak direct insurers may be unable to use proportional treaties to bolster their capital.

The proportional market could also see some other changes with European underwriters of liability and motor business refusing to offer unlimited cover except where it is a legal requirement to do so.

A leading London broker says that reinsurers successfully pushed through these changes during the Australian renewal season at the beginning of July, although they were less successful in the South African market.

Overall, though, current developments seem likely to reinforce the recent trend in the market for reinsurers to carry a greater proportion of exposure on thir own books, rather than syndicating them widely with dozens of reinsurers sharing a small part of each contract. "The flight to capital and the flight to quality will continue," says Mr Badanes. "Rather than 70 different reinsurers all taking small lines on one reinsurance contract, there will be fewer but larger companies and larger lines."

Mr Michael Palm, executive vice-president of Centre Re, believes "a smaller market made up of larger players" is emerging. "Pricing and terms will be controlled by the large and well capitalised companies," he adds.

□ Fighting a forest fire in California in August 1992

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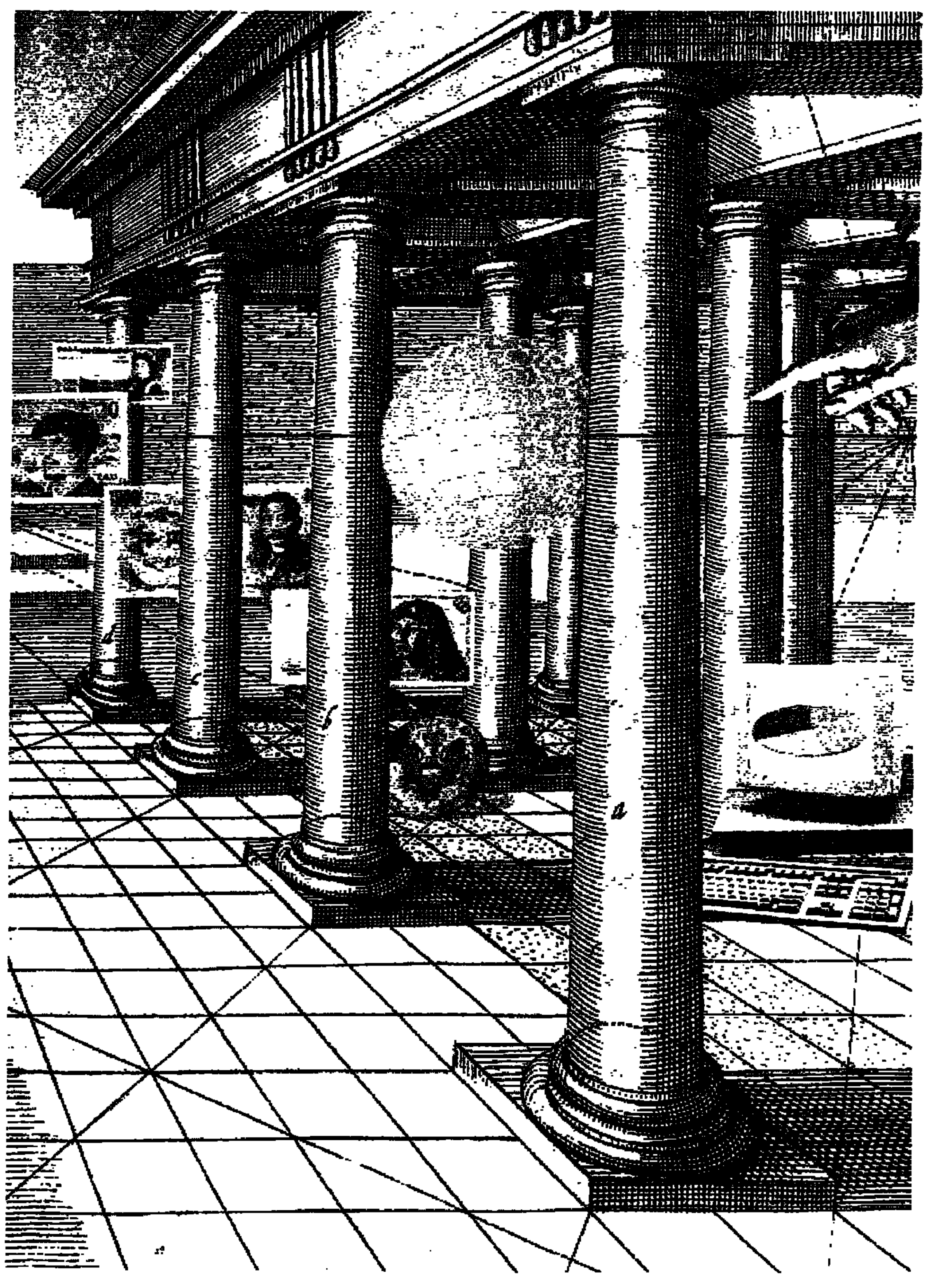


London's outlook is not as bad as it seems, says **Richard Lapper**

Recovery in the ruins

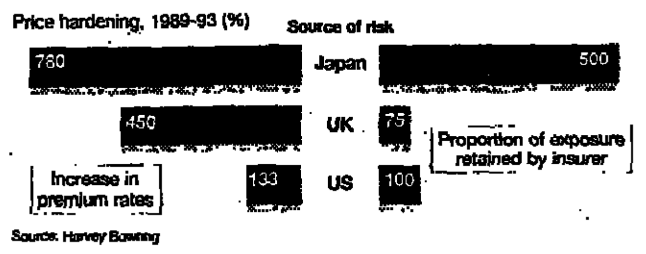
AMID the bomb debris and "To Let" signs littering Fenchurch and Leadenhall Street it is only too easy to form the impression that London's insurance market is in terminal decline.

Indeed in the spring of this year news of reinsurance company withdrawals and a continual stream of disaster and scandal at the Lloyd's markets combined to create a mood of near despair among professionals about the fortunes of the market.

Six months later the picture is a good deal brighter. Reinsurance rates are still rising, the weather in the Caribbean and Europe has – at least until the end of August – been kinder to reinsurers, and the market has been buoyed by higher than expected investor interest in new reinsurance ventures both at Lloyd's and in the company market.

London's problems began when a series of catastrophe losses squeezed between the two European storms of October 1987 and January 1990 hit the highly specialist market for retrocessional cover. At a time when the market was introducing new technology to speed up claims payments, the combination of both the number and scale of the losses eventually overwhelmed lead underwriters backed by Lloyd's agencies such as Gooda Walker, Feltrim, Devonshire, Rose Thompson Young and Bromley.

London market catastrophe reinsurance



Syndicates such as 290 and 540/42 made losses in 1989 and 1990 which exceeded their total capacity by more than 200 per cent, leaving their Names with unsustainable losses and a tangle of litigation. Losses at Gooda Walker's seven syndicates – three of which were regarded as leaders in the "spiral" market – are expected to exceed £1bn, about a sixth of Lloyd's total losses in the last five years. Even underwriters such as Mr David King, whose syndicate 745 was popular among professionals, has been driven out of business by the losses.

The number of syndicates fell from just over 400 in 1990 to 228 in 1993, with a fall to fewer than 200 forecast for 1994. Syndicates which had occupied four of the Lloyd's building's trading floors in 1989 were accommodated on only two floors this year.

London-based reinsurance companies were hit in less spectacular fashion but in some cases the damage was sufficient to force withdrawals from the market. Mercantile & General Re, the subsidiary of the Prudential Corporation, was so badly affected by claims from the Piper Alpha oil rig explosion in July 1988 that it first markedly reduced its exposure to general reinsurance business, and then in 1993 announced its decision to concentrate on life reinsurance.

A second wave of losses in 1991 and 1992, culminating in hurricane Andrew – the US's biggest ever catastrophe loss – damaged a number of companies specialising in direct reinsurance, leading earlier this year to the decision by market leaders such as English & American, Norwich Winterthur (a joint venture backed by Norwich Union, Winterthur and Chiyoda of Japan) and NRG, the subsidiary of the Netherlands' biggest insurance company, Internationale Nederlande Groep, to leave the market.

Battered but unbowed: City of London developers seek new beginnings in the wake of the IRA bombs (Picture: Trevor Humphries)

Mr Willem Dikland, chief executive of NRG, explained that reinsurance did not offer "a sufficient return on capital. Catastrophes are getting bigger. You cannot get any retrocession (reinsurance of reinsurance) protection, and original rates, especially in France and Germany, are totally inadequate."

At least a dozen companies, some of whom such as Chancellor had an extensive involvement in the reinsurance and retrocession markets, have gone into liquidation. More generally the scale of losses and obvious volatility of the market led to the withdrawal of companies such as Royal Re, the subsidiary of Royal Insurance.

Moreover, the problems of many Lloyd's syndicates and smaller reinsurance companies have heightened fears about reinsurance security. Increasingly brokers have shied away from placing business with reinsurers who have less than £50m in capital.

At the same time the greater preparedness of brokers to place business directly with large European companies in their home offices has also weakened London's position. And stung by heavy losses themselves many European companies have become much more concerned to exercise more direct control over the business they write.

In a significant development in June Munich Re announced that it was downgrading its London office. A notice to brokers issued on 30 June said that the company's previous policy in which international treaty business had been underwritten in London "had lead to accumulations which have to be more tightly and centrally controlled". In future international treaties would be underwritten either in the

London's troubles began with the big storms of October 1987 and January 1990

Munich home office or in Munich Re's local subsidiaries and branches in the respective markets, it added.

Yet in recent months there have been initial indications of a slow recovery in London's fortunes. Rates for almost all reinsurance policies have increased to more adequate levels, increasing the prospects of a return to profitability. The Lloyd's business plan, published in April, highlighted a sharp rise in reinsurance rates between 1989 and 1993 and a big increase in the size of deductibles that buyers are being forced to accept (see graph). During the summer there have been a number of new investments.

- NAC Re, the eighth largest US reinsurance company, injected £50m into a London reinsurance subsidiary in June, after recruiting Mr Charles Catt from NWRe to head up the office.
- Liberty Mutual, a Boston-based insurer, also announced in June that it intends to invest £35m in its London market subsidiary. The investment increased paid-up capital of the company from £15m to £100m. Liberty had earlier recruited Mr Dick Hazell, the former deputy chairman of Lloyd's of London, as the chairman of its London subsidiary.
- Mr David Holmes, of the London Insurance and Reinsurance Market Association (LIRMA), says his organisation, which represents the London reinsurance community, has received a number of other inquiries especially from US companies.
- In August Eagle Star, the insurance subsidiary of BAT Industries, announced it was converting its London market division into a fully fledged marine and reinsurance company, with a dedicated capital of £125m.
- In August it also emerged that the Benfield Group, a broker, which specialises in high level excess of loss market, was intended to form a new reinsurance company, with paid-up capital of some £50m.
- There has also been higher than expected investor interest among UK and US financial institutions in the efforts of Lloyd's of London to attract corporate capital to its market. At least some of this capital – which could amount to £500m according to some early indications – will be channelled into the reinsurance market.

Sentiment was also boosted in July by the government's decision to allow companies to establish tax free catastrophe reserves for the first time. The changes were outlined in consultation document issued by the Department of Trade and Industry and the Inland Revenue and published in July.

Even so investor interest in London is dwarfed by recent developments in the Bermudian marketplace, where more than $1bn in fresh capital was pledged in the summer. At present underwriters of the new Bermudian companies are currently content to underwrite so-called "following" lines on policies whose price, terms and conditions are decided by "lead" underwriters in London.

Yet as their confidence grows the new Bermudian companies may soon start to seek to lead business themselves, posing a potentially serious competitive threat. The London market will need to consolidate its recent recovery if it is to defend its position successfully.

Europeans foot the bill for the 1980s, writes **Trevor Petch**

Man-made hurricanes

THE early 1990s have witnessed the culmination of a series of adverse trends in Europe's primary insurance industry which had their roots in the dynamic financial markets and striving for international expansion in the mid-1980s.

In 1985, non-life reinsurers were publicly expressing anxiety mainly about US liability business. By 1987, other concerns were coming more to the fore. Munich Re, for example, noted "the far-reaching consequences" of retention of a greater share of risk both by commercial insureds and insurers.

Netherlands Reinsurance Group (NRG) commented that the resulting shift of emphasis towards catastrophe cover would lead to "increasingly unbalanced" reinsurance portfolios and even greater volatility of results, which could only be evened out if "an adequate price is charged".

At the same time, Swiss Re was observing "the first effects of the EC 1992 project" in the shape of intensified competition, particularly for industrial risks. This was precisely the area of business "which has repeatedly brought unsatisfactory results for years". Munich Re, meanwhile, had for years been criticising "structural deficiencies" in the European industrial fire market.

By 1988-89, Swiss Re was expressing concern over possible accumulations of risk generated by restructuring of the primary insurance market, as well as criticising "blatant" underpricing in some areas.

The 1990 winter storms in Europe prompted it to call for "fair distribution" of catastrophe losses between reinsurer, insurer and policyholder.

Swiss Re is now addressing the twin problems of inadequate underlying property rates and instability in prediction of natural catastrophe losses. At the end of August, it announced that it planned to invest $100m and to take a leading technical role in Partner Re, a new specialist catastrophe reinsurer based in Bermuda.

"Industrial fire and property has been extremely bad also on a per risk basis, especially in Europe, and especially in France and Germany," says general manager Walter Kielholz, whose company is "trying very hard – I can't put it otherwise – to pressure our clients into doing something about it".

"We are assisted in this by the prohibition of cross-subsidising of personal and commercial lines," he adds. But he sees a potential danger in the impending liberalisation of all European Community markets. "All our experience of markets which liberalise indicates that rates tend not to go up," he comments.

Reinsurers can either reduce their support or toughen conditions, but in Mr Kielholz's view some restructuring of the business itself is necessary. For example, in continental Europe there has been a tendency not to encourage industrial clients to take large deductibles, which are sometimes so low as to be "quite ridiculous". He attributes this largely to distribution networks focused on premium volume.

Each part of the business, he says, must be examined on a stand-alone basis so that no client segment or class of business subsidises another. The problem with a "whole account" view was that it made it impossible to set funds aside for very risky business.

"If the original business cannot be cured, an unhooking of the reinsurance terms of trade from the original terms of trade is unavoidable," he concludes.

"Especially in areas of high risk, you have to have an absolute level of control," comments John Dowling, managing director of Eagle Star Re, one of few remaining providers of significant proportional capacity in London.

Last year, with numbers of reinsurers withdrawing or heavily restricting operations, the bargaining position of those remaining was strengthened, particularly as catastrophes had ended the reinsurance spiral in which participants earned a precarious living by "taking in each other's laundry".

In August, Cologne Re told clients that over the next five years it would cease providing cover for catastrophe on a proportional basis.

In October, the UK market was notified by European reinsurers that cover for damage from terrorist attack would no longer be included free in property reinsurances. Munich Re, again, had been warning of the implications of increasing political risk for property insurance for years.

In its 1993 annual catastrophe review, it stated that wherever there is a risk of large losses, reinsurers must obtain in full a margin sufficient to pay them "irrespective of whether the original rates charged by their reinsured clients provide these margins or not".

Furthermore, account must be taken not only of past losses, but of the risk that future catastrophe costs may be higher still.

The same argument applies to proportional business. With original prices so low that they are often barely sufficient to pay for a medium-sized fire claim, "reinsurers are in effect covering major fire losses free of charge, not to mention natural catastrophe losses," says Munich Re management board member Fedor Nierhaus.

Munich Re will no longer follow inadequate original prices, and will also set limits on catastrophe exposure in proportional contracts, which Mr Nierhaus describes as "a matter of fundamental importance." Such caps have suddenly become the rule rather than the exception in the US.

Serge Osouf, president, reinsurance operations, of the French SCOR group, says "we decided to show the market that enough was enough". SCOR's accounts are probably the most transparent of any European reinsurer, with major losses – and any subsequent recovery – shown more quickly than by its competitors.

"We have to replenish and increase our catastrophe reserves, and therefore we need better margins," he says. SCOR group companies too will emphasise non-proportional and facultative business, but will renew proportional on a selected basis after careful review of catastrophe accumulations.

"We will co-operate with all clients who are prepared also to share their good results," he adds.

Perhaps the most radical step, however, was that taken by NRG. It announced its complete withdrawal from non-life reinsurance in March afterobserving that "the vagaries of the American tort system ... exploited by a surfeit of plaintiff lawyers make it virtually impossible to transact liability business on a profitable basis.

☐ *Trevor Petch is editor of the FT World Insurance Report*

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REINSURANCE III

Hurricance Andrew was bad but it could have cost a lot more, reports **Richard Lapper**

The big one that missed Miami

HURRICANE Andrew, the biggest ever US catastrophe loss was bad – but it could have been much worse. Had Andrew hit Miami last August instead of less built-up areas of Florida and Louisiana, the damage would have been much greater than the $15.5bn in losses the storm actually caused. Even so the impact of the hurricane on the local reinsurance market, which contributed to $22.97bn in catastrophe losses for the year as a whole, has been stark.

Last year's losses have depressed industry profitability and put many smaller and medium-sized reinsurers under further financial strain leading many to reduce their involvement in the market and a decline in capacity, with the resulting fall in capacity forcing a sharp increases in prices.

The scale of the hurricane has also served to highlight a longer term trend in which catastrophe losses are becoming bigger and more frequent. Losses from catastrophes rose steadily during the 1980s with the annual toll reaching $2.3bn in 1983, $2.8bn in 1985 and $7.6bn in 1989, when claims from hurricane Hugo alone amounted to $4.2bn. During 1990 and 1991 losses stayed at a high level, amounting to $2.82bn and $4.72bn respectively.

Figures for the first three months from Property Claims Services, the body which collates data for the industry, indicate that the trend is continuing.

Anticipated claims for the first quarter amounted to $2.8bn. The bulk of the first quarter loss was provided by a large storm which hit 24 southern and eastern states between 11 and 14 March. Claims from the World Trade Center bombing on 26 February amount to more than $510m. "The industry has to accept that the traditional pattern of periods of low loss frequency punctuated by the occasional bad year is no longer applicable," commented the specialist newsletter *Catastrophe Reinsurance*.

Rates have risen sharply. Reinsurance premiums which were moving gently upwards at last year's mid-year renewals rose sharply at the end of the year and have climbed higher again this year, bringing the US firmly into line with the hardening market in Europe and elsewhere.

Increases of rates ranged from 10 per cent to 100 per cent on January 1993 renewals. Further tightness, especially in the property market, was evident at mid-year renewals. The terms and conditions of many reinsurance policies sold to US buyers have tightened.

According to Mr Alan Cranfield, reinsurance broker with Alexander Howden, pro-rata reinsurance treaties bought by US companies are now much more likely to include caps on the catastrophe exposures that they cover. Mr Cranfield said that 90 per cent of such policies included caps at the the mid-year renewals, compared with 70 per cent at the end of last year.

Reinsurers are also more likely to insist that insurers agree to accept bigger deductibles, retaining more of their risks on their own books. This in turn is prompting many insurers to reduce the amount of cover they offer to their own policyholders, especially in areas highly exposed to catastrophe risks such as coastal Florida.

In the longer term the trends seem certain to put many smaller reinsurance companies under increasing financial pressure, leading to a further consolidation in the market.

TOP 10 US REINSURERS BY NET PREMIUMS written in 1992 ($m)

General Reinsurance	1,870
Employers Reinsurance	1,410
American Re-insurance	1,010
Prudential Re	704
Constitution Reinsurance	383
Swiss Reinsurance	376
Skandia America Re	372
Transamerica Re	354
Transatlantic Re	323
Munich American Re	323

Source: Standard & Poor's Rating Group

Standard & Poor's, the US rating agency, says that 1992 losses drove up the industry's combined ratio (expenses plus claims against premiums) to 118.2 per cent compared with 106.3 per cent in 1991, leading to a sharp depression in profitability.

In spite of its capital gains of more than $870m, the earnings of the US reinsurance industry plummeted during 1992. Profitability as measured by return on revenue dropped 10 percentage points to 2.88 per cent in 1992 from 12.95 per cent in 1991. The industry's pre-tax profits declined by 51 per cent to $963m compared with $2bn in 1991, while profits – as measured by return on equity – fell by 747 basis points to 6.34 per cent in 1992. Excluding realised gains it fell to 0.59 per cent.

The long-term outlook is for greater market consolidation as smaller companies come under tighter financial pressure

S & P's figures show that the industry's better capitalised reinsurers have fared better than their weaker rivals, generally posting better results.

"Simply put, larger well-capitalised reinsurers are in a better position to withstand such devastating losses," say Thomas Walsh and Mary Ann Gangemi, of Standard & Poor's.

Financially stronger well positioned reinsurers have been able to "cherry pick" books of business from both primary companies looking to leave the reinsurance business and professional reinsurers who have lost market share or status.

The top 10 reinsurers' increased their market share to 57 per cent in 1992, compared with 44 per cent in 1985 and 53 per cent in 1991, say S & P. The top 20 reinsurers are responsible for more than 75 per cent of net premiums written. Beyond the top 20 almost 90 per cent of premiums are underwritten by only 35 companies.

"The consolidation process, accelerated by the most recent string of catastrophes, is expected to continue as many of the smaller firms deteriorate financially due to the less profitable business written in recent years," say S & P's Walsh and Gangemi.

"These losses will require further loss reserve strengthening which for some will create unbearable pressure on an already fragile capital base," the two analysts add.

US catastrophe record 1970-1992

Source: Property Claim Services division of American Insurance Services Group

Global warming makes insurers sweat, writes **Vannessa Young**

Natural disasters multiply

THE scope and frequency of claims due to natural catastrophes has risen drastically over recent decades leading to unprecedented losses for insurers and reinsurers alike.

The trend was highlighted by Swiss Re in *Sigma*, its monthly review of reinsurance developments. Its review of catastrophe and other major losses in 1992 shows that natural disasters again dominated the year with a record 130 events resulting in an insured loss of $22.5bn, up 108 per cent on the previous year's figure.

Nor was the long-term comparison any healthier. Loss figures have remained high for the last four years while average losses rose alarmingly.

From 1970 to 1981 the insured loss per catastrophic event averaged $84m (1992 prices). Between 1982 and 1991, however, the figure rose $132.8m. Swiss Re concluded that economic factors were responsible for only a small proportion of the losses: GNP increased by 85 per cent over the last 23 years, while insured losses increased by over 900 per cent.

Others factors, including the settlement and industrialisation of vulnerable areas and an increase in insurance density were no less important and may gain further significance. This applied especially to climatic conditions "since it appears quite likely that the loss surge is at least in part due to climatic change..."

Sigma says that its statistics do not tell us precisely "how or why mankind aggravates catastrophe risks or allows them to become worse..." but that they "do clearly indicate that risks are increasing; they give us the urgent warning to examine the causes of these trends and to develop effective preventive strategies."

Research by Munich Re has highlighted "already disturbing signs of the worldwide warming of the atmosphere". For example, 1990 was the warmest year since meteorological records began, and six of the last 10 years have seen global temperatures higher than all previous readings.

Current information, seems to point to a global rise in temperature of between 1.5 and 4.5 degrees by the end of the next century. Assuming that all the predicted effects of the man-made greenhouse effect become reality, just what will mankind be up against? Munich Re assumes the following line of development:

- A warmer atmosphere would result in a greater exchange of energy adding to the momentum of vertical exchange processes which are the driving force in the development of tropical cyclones, tornadoes and thunderstorms resulting in increased frequency and strength.
- More severe winter storms in Europe similar to those in late January and March 1990 which resulted in an insured loss of DM17.3bn are feasible.
- Increased exposure to storm surges and flooding in low-lying, densely-populated regions such as Bangladesh, because of a 30cm-100cm rise in sea levels within 100 years.

The jury has still not reached its verdict on global warming. However, most of its members would probably support the view expressed by Swiss Re in its 1990 annual report that "reinsurers cannot afford to wait for scientists to provide evidence of how climatic change will influence natural events such as storm, hail and flooding and so on. Underwriting policy and commitment acceptance must be adjusted now to possible future developments."

But just how can the insurance and reinsurance industry cope with the increased loss potential of natural catastrophes?

Munich Re believes that industry can either adjust to the situation or minimise or prevent the effects and suggests a number of instruments that the risk community has at its disposal including:

- Charging premiums commensurate with risk, which would mean breaking down the product into its constituent parts and calculating the risk premium for each peril that could impact on an account. It should be kept in mind that historical return periods for these perils may well have been altered by global warming. The challenge for reinsurers is to provide cover at rates that not only reflect the past, but to set prices which anticipate future loss.
- Substantial deductibles and insurance participation by the insured. Munich Re demonstrates the effectiveness of a deductible in its study *1990 Winter Storms in Europe*, illustrating how a deductible of DM500 on a German homeowners' comprehensive policy would have reduced aggregate insured losses by 30 per cent and the number of insured losses by 40 pr cent.
- Liability limits per loss event or area with those liabilities rendered transparent by determining accumulation.
- Limits on cover or exclusions for certain hazards.
- Loss prevention through policyholder education about measures which may bring about a reduction in weather damage claims.
- Optimal loss settlement.

Munich Re maintains that the effects of climatic change need not have a negative impact as long as the above disciplines are introduced. *However, clients of insurers* and reinsurers would have to be aware of environmental changes to motivate them to take suitable countermeasures such as participation in the United Nations International Decade of Natural Disaster Reduction aimed at combating the increased danger of natural disasters or ratification of the World Climate Convention.

☐ *Vannessa Young is a staff writer at the* FT World Insurance Report

Storm damage in Florida: a question of frequency

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Earthquake victims on two continents: Mexican women at a makeshift morgue ... (Picture: UPI)

...and an elderly Georgian survivor of an earthquake which killed his family and destroyed his home and his village (Picture: AP)

As centralised control is swept away, Latin America and the ex-Soviet bloc become expanding markets, writes **Trevor Petch**

Crumbling monoliths offer new opportunities

AT A time when global reinsurance capacity has been contracting at record speed, in Latin America and the former Soviet bloc relaxation of state control over the insurance industry is eroding the domination of nationalised reinsurers.

Most of Latin America, including the most attractive markets, is opening to foreign direct investment in insurance, as is central Europe, while most of eastern Europe has seen a rapid increase in new insurers with domestic or joint venture capital.

For the economies of Latin America, the 1980s was "The Lost Decade" afflicted by political instability, high inflation, capital flight and the burden of debt service. International financial institutions are now prepared to invest once again.

In the north, Mexico will become even more attractive with the passage of the North American Free Trade Agreement (NAFTA), while in the south economic integration is being fostered through Mercosur, the planned common market linking Argentina, Brazil, Paraguay and Uruguay.

Mercosur will eventually introduce freedom of insurance services, creating indigenous impetus for the dissolution of the still-monopolised Brazilian and Uruguayan reinsurance markets. Argentina has abolished its state reinsurance monopoly, as Chile did at the beginning of the 1980s.

Other measures of market deregulation have been implemented in, for example, Colombia and Peru, and also in Brazil, where last month a board for the first time made up of professional insurers rather than purely political nominees was appointed to the monopoly IRB. In Venezuela, measures to open up the market have been delayed by political instability.

Mr Egbert Willam, board member responsible for the region at Cologne Re, says that "As a reinsurer, we now have many things we could wish for. We think it represents an opportunity for us."

A measure of the degree of underlying change is the fact that only two or three years ago Cologne Re was considering withdrawing from the region, but this December will establish a new operation in Buenos Aires to service the Southern Cone.

At the end of July, Transatlantic Reinsurance Co announced the formation of a new division in Miami to underwrite Latin American business. While the number of direct insurers operating will decline, those which remain will be financially stronger and technically more sophisticated and demanding, the divisional head Javier Vigil says. He adds that as a new entrant to the market unburdened by the effects of past losses, Transatlantic aims to be "a premier player in Latin America" beyond the year 2000.

It is not a reinsurer's Eldorado, however. A prime concern is catastrophe exposure, particularly in the north which is subject both to earthquake and windstorm. In August last year, Cologne Re advised its clients that it would cease providing catastrophe cover on a proportional basis by 1997. "A non-proportional basis is the only reasonable way to reinsure catastrophes," Mr Willam comments.

Mr Georg Daschner, deputy executive manager with responsibility for the region at leading provider Munich Re, expresses similar concerns regarding catastrophe exposure and points out that deregulation does not bring automatic benefits.

In Chile, when tariffs were freed along with the abolition of the reinsurance monopoly, "many reinsurers only saw the fantastic statistics, thought the market must be sound, and offered high levels of capacity and commissions," he recalls. As competition, premium levels plummeted and fear of competition delayed the required underwriting adjustments.

Reinsurance market conditions are not conducive to an exact repetition of that scenario, but Mr Daschner warns that the freeing of tariffs and controls on policy conditions has also led to a collapse in original premium levels in Colombia and Mexico, for example.

The inadequacy of property insurance rates becomes particularly apparent, he adds, when the portion to cover earthquake is removed. "We need to separate this price out," he emphasises, so that a premium commensurate with the risk can be obtained by reinsurers.

Easing of state control is eroding the power of nationalised reinsurers

For the next renewals, Munich Re will demand additional measures to be taken to limit further accumulated liabilities from natural perils and to increase the respective reinsurance prices. The company will maintain its close but cautious relationship with the region, working together with those companies which it believes can underwrite on a proper technical basis and are interested in a long-term link, Mr Daschner says.

Eastern European state insurers always placed substantial volumes of marine and aviation business, as well as hard currency property risks, in the international market. In much of both regions, there is a shortage of experienced underwriting staff, the former because insurers were few, the latter because they were many but effectively insulated from technical decisions by set tariffs and compulsory cessions.

In the past, developing insurance markets with a shortage of local capital such as eastern Europe have been able to rely upon proportional reinsurance support, now in short supply while non-proportional cover is expensive.

Subsidiaries of major western insurers or joint ventures – Allianz, Generali, AIG and Alte Leipziger are among the most active – can rely on their parents and their existing relationships with leading reinsurers. Others buy such protection as they can afford and run the remainder on a net basis. In Poland, which has a comparatively large number of small insurers, co-insurance is developing, and a new local reinsurer is being formed by market leader PZU, which is awaiting privatisation.

The problem of reinsurance is greatest in the former USSR. Russia has well over 1,000 new insurers, most of them already licensed, who are nowadays trying to cover their rouble reinsurance requirements on the local market. Ingosstrakh, the former Soviet hard currency insurer, provides some, as do the now emerging new local reinsurance companies all over the country.

Cologne Re (which also owns 10 per cent of the largest Russian privately-owned insurer, ASKO), and Munich Re also do so selectively, although both are more active in providing the markets of the former USSR with scarce hard currency reinsurance.

An area in which reinsurance support has had important local impact is in cover for motorists abroad. Uniquely in Europe, states of the former USSR (with the exception of Estonia) have no motor liability insurance legislation, and have been unable to join the Green Card system.

French market leader UAP reinsures Green Cards underwritten by PZU which are marketed by the state insurers of Russia, the Ukraine and Belarus, as well as by private sector insurers in Estonia. Last month UAP and its partners, together with Polish broker Grupa Polska, opened a motor claims bureau in Warsaw.

Chris Clark on liability for injuries caused by delayed-action pollution

Environmental time-bombs

A LOT attention is being paid to a series of judgments handed down by the supreme judicial court in France, the Cour de Cassation, in December 1990.

In these, the court effectively outlawed "claims-made" policy wordings which liability insurers now rely upon to manage their exposure to claims from the past.

Under a claims-made policy, the policyholder is covered only for claims submitted during the policy period. Under earlier "occurrence based" policies, the cover remained open into the future for claims arising from events that occurred during the policy period, but whose consequences were discovered years later, such as asbestos bodily injury, latent defects in buildings and gradual pollution.

The claims-made form, as similar policy wordings based on manifestation or discovery of harm, allow insurers and reinsurers much more control over the size of outstanding liabilities at the end of each underwriting year.

In 1990, the French court ruled, on the grounds of consumer protection, that such policy restrictions imposed an unfair burden on the insured and that, regardless of the wordings included in an insurance contract, the policy holder would be entitled to cover on the basis of the original act causing the harm (*"fait generateur"*), which insurers see as an even wider trigger than occurrence wordings.

Initially, French insurers thought that the ruling was confined to a narrow class of business relating to the construction industry, but the court seems determined to apply its decision to all liability insurance. To add to these worries, similar developments have since occurred in Belgium and Spain, the first under an article in a non-marine insurance contract law passed in June 1992, and the second following Spanish supreme court judgments in 1991 and 1992 concerning medical liability policies. In each case, claims-made policy wordings were deemed unfairly restrictive on the policyholder.

Because of past experience with long-tail liabilities, most insurers today are unwilling to write liability insurance on an occurrence or similar basis. They simply do not know how to set realistic premiums for such wide exposure to unpredictable risks. These rulings therefore pose a fundamental threat.

There are some signs that regulatory authorities in Belgium and Spain recognise that something needs to be done to stop liability insurance drying up altogether in their countries, but both insurers and reinsurers remain extremely concerned about the French position, according to Mathias Schubert of Cologne Re.

Everyone is hoping that French legislators will do something to correct the situation. If they do not, there is a real danger of leading insurers and reinsurers pulling out of the French liability market, although at present insurers are continuing to write claims-made policies on the understanding that policyholders will not attempt to enforce the supreme court judgment.

Supreme Court rulings in France are having a profound impact

Juerg Spuehler of Swiss Re believes that much of the difficulty here is based on misunderstanding of the claims-made principle. Far from penalising the insured, he argues, claims-made wordings simply move claims to a different policy, which is in fact a more favourable one for the policyholder.

Claims that, on an occurrence basis, would have had to be attached to old policies, written many years in the past, under claims-made now trigger today's policy, which is likely to have much higher policy limits and is less likely to have been partially exhausted by previous claims for general liability or product liability losses.

The insured therefore benefits, rather than suffers, under the claims-made form and Mr Spuehler feels that it is essential that insurers and reinsurers take the time to clarify this with regulators and others who fail to appreciate it.

Apart from this issue, environmental liability continues to worry almost everyone, in two forms: the overhang of exposure to claims from past pollution and the development of an effective insurance market for the future. On the historic backlog of pollution incidents, those who wrote general public liability policies over the last 30 years or so are to some extent holding their breath.

As governments progressively insist that such pollution is cleaned up, often to expensive standards, the parties responsible for clean up are digging out their old liability insurance policies to see if they offer any cover, with a growing community of insurance "archaeology" companies on hand to help them.

So far, most of this has been taking place in North America, where US environmental regulation imposes strict, joint and several, and effectively retroactive liability for problems like contaminated land and groundwater. Under a tidal wave of multi-million dollar claims, US courts separately in each state have a queue of legal cases outstanding in which insurance companies are attempting to resist claims for gradual, or intentional, pollution.

European policies have yet to come under this pressure, largely because policyholders have not yet had to pay out much on environmental clean up. Some policyholder lawyers believe that, as environmental regulations tighten, past policy wordings in Europe will be just as vulnerable to claims as their US counterparts. Other people foresee greater difficulties for policyholders here, because European courts tend to reach more restrictive judgments on commercial law.

With this past experience, many insurers want to have as little as possible to do with future environmental liability. From 1986, all pollution risks have been excluded from general liability policies in the US, while in Europe the partial, "sudden and accidental" exclusions have mostly been introduced more recently.

For wider cover, insurance market pools in France, the Netherlands, Italy and Denmark, and individual insurers elsewhere are offering specialised environmental impairment and other pollution liability policies (loosely known as EIL), which use claims-made wordings and require detailed site inspections before cover is offered.

☐ *Chris Clarke is editor of* FT Environmental Liability Report

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Financial products still sell despite tighter rules, writes **Trevor Petch**

The tax man cometh

WHILE demand for financial reinsurance is on the increase, there is also greater regulatory concern over how it is being used.

Lloyd's is currently attempting to ring-fence its old year liabilities in a specially created entity, NewCo. The exercise is like that of some financial reinsurance products, aiming to stabilise the effect on current trading and capital management of a past book of long-tail business while making full use of the time value of money. The financial reinsurance jargon for this is obtaining "surplus relief".

At the same time, the Serious Fraud Office is examining the use by syndicates formerly managed by the Gooda Walker agency of Time & Distance policies (T&Ds), under which a predetermined set of payments exceeds premium paid. Formally accepted in the UK as a reinsurance policy, T&Ds are pure funding instruments whose main function, according to the Institute of Actuaries, "is to avoid admitting that reserves have been discounted".

The Inland Revenue permits T&D premiums as a tax deduction, but also insists that credit be taken for the full value of the policy immediately, creating an apparent (but taxable) current year profit.

The Inland Revenue has been suspicious of Lloyd's funds flowing offshore for over a decade since it put a stop to "rollovers", reinsurance policies on which one year's premium was the previous year's profit commission. This enabled tax free funds to be built up offshore.

This is also the main aim of financial reinsurance, according to an Inland Revenue/Department of Trade & Industry (DTI) discussion paper on equalisation reserves published last month, this time achieved by "somewhat artificial transactions to exploit loopholes in the accounting conventions".

Prudential concerns like those concerning T&Ds are also apparent: assets are transferred beyond local jurisdiction, and there is a risk of distortion in insurers' financial statements.

At its simplest, financial (or "finite risk") reinsurance is a T&D with timing risk. Loss Portfolio Transfers (LPTs) enable an insurer to book a current credit while reinsuring a block of old business. For the reinsurer, they are almost risk-free, and they can be structured to operate much like a rollover. LPTs may be useful in managing the run-off of a discontinued account, but were also a popular method for US insurers to obtain "surplus relief", causing regulatory concern that a precarious financial position was being disguised.

Prospective Aggregate Covers (PACs) are similar, but apply to business yet to be written. These and the more sophisticated spread loss contracts are intended to provide continuity of cover at a predetermined price. A further development is experience funded accounts, where the reinsured has access to an agreed credit as well as the current balance in the "experience account" which records the progress of the contract.

Low risk deals should be accounted for by "economic substance"

Spread loss and experience funded contracts have become increasingly common in London, creating legitimate concerns by regulators about off balance sheet underwriting losses.

In April 1991, the DTI reminded UK insurers that the Association of British Insurers Statement of Recommended Practice indicated that reinsurance deals where risk transfer was not significant should be accounted according to "economic substance".

The Accounting Standards Board is considering a regulation which would strengthen this requirement (similar to the rule in Australia), an apparent death sentence for the T&D and transactions aimed at "surplus relief", and with potential implications for more sophisticated covers. UK insurers must also record negative experience account balances as liabilities in their 1992 returns.

The EC Insurance Accounts Directive may help to clarify some of these issues by outlawing implicit discounting, requiring separate identification of reinsurance, assets and liabilities to be stated gross, and limitation of provisions to a "necessary" level.

US prudential concerns are identical to those in Europe. At the end of 1992, the Financial Accounting Standards Board (FASB) released FASB standard 113, addressing transfer of risk among other reinsurance issues. This required liabilities to be stated gross, reinsurance recoverables to be treated as assets, reinsurance transactions of which the substance is not provision of an indemnity (based on considerations such as risk transfer and the reinsurer's risk of loss) to be accounted as a deposit, and enforced separate accounting of provisions for the prospective and retrospective elements of hybrid covers.

Most importantly, it forbade immediate recognition of a gain or loss from any retrospective contract, which must now be spread over the term of the policy. More recently, FASB, through its Emerging Issues Task Force (EITF), issued new accounting rules affecting "multiple-year retrospectively rated reinsurance contracts". These require ceding companies to record experience account balances on such contracts as assets or (when negative) liabilities.

The EITF acted in response to concern by the Securities and Exchange Commission (SEC) that following Hurricanes Andrew and Iniki, insurers may have placed underwriting losses off balance sheet by not recording negative experience account balances in so-called funded catastrophe covers.

One company which has restated its 1992 results to take account of the task force's recommendations is Phoenix Re, which had a funded catastrophe cover with USF&G. As a result, its 1992 operating loss increased from $50,000 to $3.68m, and its net premium income fell by 10.9 per cent to $48.4m.

"The EITF conclusions eliminate many of the GAAP advantages of funding property catastrophe losses through multi-year contracts," says Mr Dan Marren, president and chief executive officer of Commercial Risk Re-Insurance Co, the financial reinsurance subsidiary of French reinsurer SCOR. "For property catastrophes, the incurred event becomes known and losses are paid quickly, so there is no avoiding the asset or liability issue," he adds.

Specialist financial reinsurers are seeking new kinds of business

However, Mr Marren believes that multi-year arrangements continue to be attractive for long-tail casualty business, for which losses are accrued on an incurred but not reported (IBNR) basis and there is considerable uncertainty in the estimates. According to Mr Marren, "for casualty lines, shared risk programmes provide an effective means to protect against adverse loss development while allowing companies to benefit from favourable development".

Funded catastrophe covers, however, have been written less by specialist financial reinsurers than by traditional reinsurers seeking new kinds of business. Three years ago, Ms Maralyn Fichte, now vice president, insurance derivatives, at Banker's Trust, criticised "the bandwagon of funded catastrophe reinsurance". While buyers might use it on an opportunistic basis, adoption by reinsurers of credit risk, sometimes with automatic reinstatements doubling the exposure, "could lead to a disaster," she suggested.

Profile: how Centre Re acquired its dynamic reputation

Unorthodox duo's initiative

CENTRE RE has grown apace in 1993. The initial public offering in the US in the spring and the new plans to launch a new catastrophe reinsurer in Bermuda in the summer have underlined its reputation as one of the world's most dynamic reinsurance companies.

The Bermuda-based company, controlled by Zurich Insurance, has shown an impressive record of growth and profitability since its launch from scratch in 1988. Premium income has increased from just $268m in 1989 to an estimated $1.1bn in 1992. Profits amounted to $65.9m in 1992, a 37 per cent increase compared with 1991, and representing a return on equity of 12.7 per cent, and by mid-1993 the combined assets of the group amounted to $4.5bn.

Since its initial capitalisation of $250m in 1988, assets have risen on average by 63 per cent a year. But it is not just the speed and scale of growth that marks off Centre Re from many of its competitors.

The company's founders – Mr Stephen Gluckstern, the chairman of Centre Re Holdings, and Michael Palm, the executive vice-president who heads up the Bermuda operations – are both in their early 40s and had had no experience in the reinsurance industry before launching Centre Re. Indeed their backgrounds are even more unorthodox that that. Both men have liberal arts backgrounds – Palm did academic research in English Literature, specialising in the work of the American poet Wallace Stevens, while Gluckstern is an educationalist who researched preschool influences on the ability of children to learn.

They met for the first time – in 1976 – teaching English in pre-revolutionary Iran. Ten years later – after business school and beginning banking careers – the two teamed up again, at the Philadelphia offices of Berkshire Hathaway, the US investment group led by Warren Buffet.

Influenced by the climate of innovation in US finance during the 1980s, they saw reinsurance as an underdeveloped part of the financial markets ripe for new ideas. "We wanted to take a more heavily financial approach to insurance," explains Palm. "This was a sector with very substantial cash flows which ought to have the same kind of stability and product sophistication as is found in other financial services."

Michael Palm: a background in English literature

Stephen Gluckstern: a researcher into child learning processes

"We wanted to focus on stability and long-term relationships instead of cyclicality and ups and downs in pricing," says Palm. The two men thought the answer lay to some extent in a new kind of reinsurance contract. "We wanted to find an intersection between highly leveraged and highly risk exposed business and what had been called financial reinsurance – closer to a banking or funding deal than a traditional reinsurance contract," he adds. "We wanted to take a multi-year approach to insurance costs, taking volatility out of year to year deals."

The two founders, both still in their 40s, first met while teaching English in pre-revolutionary Iran

The result was what Palm admits was seen as a very ambitious effort to raise $250m to support a new reinsurer. Backing came from Kemper Re, a US reinsurer, Marsh McLennan, the world's biggest insurance broker, JP Morgan, the merchant bank, and, in particular, Zurich Insurance, which has subsequently become a majority shareholder.

Launched in 1988, Centre Re began by specialising in what Palm calls "retrospective" financial reinsurance deals covering what is known as "timing" and "interest rate risks" – the possibility that claims may emerge faster than expected on a book of liability business, or that trends in interest rates may reduce the value of funds available to meet known claims.

Palm and Gluckstern decided to locate in Bermuda because the territory's regulators allow its insurers to count future investment income as part of its funds to meet claims, essentially permitting companies to discount their reserves.

"The US regulatory environment introduces many inefficiencies," explains Palm. "Our goal to concentrate on the economics of a transaction not to do business when they didn't make sense." The regulatory framework also helped Centre Re contain its costs. "We don't need to get authorisation for each separate line of business which we underwrite. We can move more quickly than our competitors," he explains.

Over the past five years the nature of business has changed, with the group beginning to concentrate on more typical reinsurance risks. In 1992 only 10 per cent of reinsurance contracts underwritten by Centre Re are now "retrospective", compared with 100 per cent in 1988. The trend will be accentuated by changes in US accounting rules in early 1993, which remove some of the advantages for ceding insurers of using financial reinsurance deals. Meanwhile, Centre Re's commitment to compete in more orthodox markets has been underlined by a decision to start a new catastrophe reinsurance company.

Even so, despite the changed focus, several aspects of the company's strategy and style are likely to remain distinctive. The way that Centre Re analyses risks and underwrites its policies marks it off from some companies in the industry, for example. Its staff of just over 100 includesat least 30 actuaries, who are adept at using mathematical models to assess risk. Barely concealing his contempt for some of the underwriting practices of the Lloyd's market in the late 1980s, Palm says: "We don't believe in subjective underwriting where you guess what the range is in which losses might fall."

He insists that the company is conservative in its analysis and pricing of risks. "The history of the industry shows that the successful people have taken a very conservative view. Things tend to turn out worse." By underwriting in this fashion Centre Re is able to assume more risk on its own books and therefore has more influence in the marketplace. You don't want to be a follower. It tends to underwrite "lines" or shares of individual risks of at least 50 per cent.

Centre Re also tends to favour longer-term relationships with its clients with contracts stretching on average for between three and five years. In 1992 the company underwrote just 175 contracts, each of which had an average reinsurance premium of $25m. These factors tend to mean that retention rates are higher and costs are lower.

Above all Palm remains confident and observes that the reinsurance industry as a whole seems to be following in Centre Re's footsteps, with better pricing and terms in the market increasingly controlled by the industry's financially stronger companies.

Richard Lapper

Brokers are being pushed in new directions, says **Lee Coppack**

To advise and to guide

THE reinsurance broker is becoming less a clearing house for capital and capacity and more a professional adviser active in the development of the market.

Clients demand more evidence of the broker's value than a promise to improve on the rates, though the ability to find capacity at a reasonable price remains important.

In a market where capacity is tight and solvency is a key issue, the broker can provide a real service to the ceding insurer and also to the reinsurer who is looking for catastrophe protection of its book. Those who do not are likely to find their business dwindling in the face of competitive pressure.

Brokers compete with reinsurers for business. Ceding insurers do not have to use a broker; traditionally the professional reinsurance companies, mainly based in continental Europe, have written most of their business directly. One of the main reasons has been their close relationship with their domestic, direct insurance market.

Dieter Losse, chairman and chief executive of the respected international reinsurance broker Greig Fester, said: "The serious brokers are all clear that they can only justify their position in the chain if they are genuinely adding value."

In territories, such as the UK, which are broker markets, the reinsurers have been happy to take business from brokers with the proviso that the broker must not block the relationship between the direct insurer and the reinsurer. Reinsurers are increasingly insisting on knowing just what risks they are taking. Cedants have to submit to scrutiny or they find themselves short of reinsurance, according to European insurance analyst Tim Dawson at Lehman Brothers in London. "The flight to quality works both ways. Reinsurers can pick and choose from which insurers they want to accept business."

Michael White, deputy chairman of international reinsurance at Willis Corroon, also says that over the last two or three years brokers have had to spend far more time on renewal analysing the business and objectives of the cedant and discussing the best approaches to the business. Clients and potential clients demand more evidence of the broker's value than a promise to improve on the rates.

Clients are now demanding a lot more of brokers than merely to obtain better rates

One way that brokers have been enhancing their value to cedants has been through the development of research and analytical tools to help them understand the implications of what they have been writing in terms of catastrophe exposures, the geographical spread of their book in terms of perceived natural hazards.

Explained Dieter Losse: "The broker is in a unique position to help the insurer understand the nature of their exposures from the reinsurance perspective, particularly in a hard market, and advise on a range of options."

In addition to preparing and placing programmes, brokers may handle claims and help prepare documentation in response to the reinsurers' requirements for increased information. They also monitor the solvency of reinsurers and reinsurance markets.

The need for specialist skills is increasing reflected in the results of firms such as Greig Fester and another London based international reinsurance broker, the Benfield Group. Since 1988, Greig Fester's turnover has risen from £16.3m to £42.8m at the end of 1992. Benfield, which is an excess of loss specialist, nearly tripled its turnover between 1990 and June 1992 with a rise from £13.8m to £39.8m.

Benfield, under its chairman Matthew Harding, plays an active role in developing the excess of loss market since the demise of the notorious LMX, or London market spiral. For example, it insists that the ceding insurer takes a co-insurance of at least 10 perent of any programme. In this way, Matthew Harding believes, the direct insurer retains an interest in keeping claims down, which in turn pleases the reinsurer and promotes a good, long term relationship.

And against the trend of brokers distancing themselves from underwriting activities, Benfield has now announced that, subject to approval from the Department of Trade and Industry, it will set up a UK based excess of loss reinsurer. The new company will have fully paid up capital of £50m ($75m) and is intended to begin underwriting effect from January 1, 1994.

No other details have yet been released, but it seems almost certain that the co-insurance principle that Benfield applies to its brokered programmes will be a fundamental part of the new company's underwriting policy.

Direct insurers also look to their reinsurance brokers to help in analysing security, particularly in a hard market when they may not be able to get all the capacity they want from their traditional sources, reinsurers.

Solvency is a considerable worry, following the collapse of once important London market firms and problems in the Scandinavian market. New capital has been coming into the reinsurance market, but its willingness to provide continuity is untested.

Faced with an insolvent reinsurer, the broker not only has an unhappy client, for whom finding replacement cover may be difficult in a hard market, but it also faces an administrative headache. The London market system of "net accounting", which is highly convenient when all the parties are solvent, is a source of major problems for the broker if one of them fails.

Leading insolvency counsel Gabriel Moss QC explains that typically the broker acts as a "clearing house" for payments between insurers and reinsurers.

However, in an insolvency, only the principals to the contract, the insurer and reinsurer, are permitted to set-off the amounts they have outstanding with each other. The broker's standing effectively vanishes.

Increased expectations from clients coupled with competition for scarce reinsurance capacity is putting pressure on the skills of brokers and further rationalisation is likely in the London market. Although there is no register of reinsurance brokers as such, the fall in the number of Lloyd's brokers to 218 with 42 resignations and only five admissions last year is likely to indicate the trend. Those who can offer the expertise will play an essential role maintaining the reinsurance market.

□ *Lee Coppack is an insurance writer and analyst*

Münchener Rück
Munich Re

Skandia Group
Barclays de Zoete Wedd acted as financial adviser in the purchase of 30.5 million Skandia Group Försäking AB shares for SEK 3.14 billion.
June 1993

Guardian Royal Exchange
Barclays de Zoete Wedd acted as financial adviser to GRE Group in the sale of its Spanish operations to Group AMA.
April 1993

Barclays de Zoete Wedd acted as lead manager to Confederation Life in the issue of £100 million subordinated notes.
February 1993

Royal Insurance
Barclays de Zoete Wedd acted as lead manager to Royal Insurance Holdings Plc in the issue of £76 million convertible subordinated bonds due 2007.
December 1992

BZW: Integrated capabilities for complex needs of insurers.

Life becomes more complex, says **Norma Cohen**

Aware of the risks

LIFE reinsurance has traditionally been the low-risk, low-margin end of the business tacked on to a much larger and more profitable general reinsurance capacity.

But staggering losses in some business classes, including usually safe areas such as home and auto reinsurance, are causing a re-think about the merits of life cover for the reinsurance business.

Mr Roger Sansome, director of long-term business at Mercantile and General, a subsidiary of Prudential plc and the UK's largest life reinsurance underwriter, said that 10 years ago only a third of M&G's business was life reinsurance. Now, life reinsurance is two-thirds of the total and that could go as high as 75 per cent.

"If you get the market right, you should be able to make a better profit out of the non-life business because it's more volatile. The life business is less so and the profits are lower."

But because risks are fairly predictable in pure life cover, reinsurers are able to estimate the incidence of future claims and to price products appropriately.

Indeed, the great shudder which ran through the life reinsurance industry in the late 1980s, when the Aids virus first posed a threat to existing actuarial calculations, has now proved to be somewhat overblown. The incidence of Aids among Britain's insured population has turned out to be at the lowest end of estimates prepared by the Institute of Actuaries and both premium rates and reinsurance rates have eased in the past year.

Mr Wayne Daniel, product development actuary at M&G, said that at his company the premium rate to guarantee a £50,000 sum assured for a 30 year-old man nearly doubled in three years to reflect the increased risk of Aids. In August 1987, that man would have had to pay monthly premiums of £7.30 but by April 1990 that had risen to £14.55. But the lower than expected rate of Aids has pushed premium rates down to £12.90 in April 1993 and there may be scope for further premium reductions.

However, pure life cover, the core of the business, is increasingly taking a back seat to the higher risk but potentially more lucrative market of "living risks". "We think the growth is in all the areas where people can claim while they are still alive," Mr Sansome said, noting that the pace of expansion in these types of policies now outstrips that of straight death cover.

That view is echoed by Mr Jonathan Ludbrooke, assistant general manager at Munich Reinsurance which holds roughly 25 per cent of the UK's life reinsurance market. "For years the reinsurers have been banging the drum and saying to the life insurers that protection products are the way to go. Now, the direct insurers are getting the message," he said.

The greatest growth areas for life reinsurers are critical illness policies, private medical insurance coverage and long-term care policies for the elderly.

The initial shudder about the rapid spread of Aids has proved exaggerated

"The state would like to withdraw from provision of benefits and the insurers for the most part are happy to take up the role," Mr Ludbrooke said.

But selling these products to a wide portion of the population remains problematic. "Long term care in particular is a hard sell," Mr Sansome said. "We did some market research and found the demand was there until the price was mentioned."

The challenge for the life underwriters and their reinsurers is to find a way to convince the public to buy an expensive product that they still believe is a luxury and not a necessity.

"What is needed are tax breaks and there are no tax breaks although the industry is working on it," Mr Ludbrooke said.

For the reinsurers, one big difficulty remains assessing risk and setting premiums. Since so many life offices rely on the reinsurers to set the rates for them, the reinsurers are now in the position of having to conduct sufficient research to enable them to price products appropriately.

"There is almost no data on which to base your premiums," Mr Ludbrooke said. The existing information on, say, critical illness experience, covers the general population at large and is often too old or too limited to be of much use. There are substantial statistical variations in life expectancy and healthiness between non-insureds – who tend to be the unemployed and less well-off – and the insured population.

Reinsurers believe that one of the best things which could happen to non-death cover is that some of the nation's largest employers begin bolting on to their pension plans options for that sort of provision. That would give reinsurers the necessary data base to help them consider likely loss experience and get the public acquainted with the merits of products such as critical care cover.

Mr Ludbrooke suggests that leading schemes might wish to offer their members an option of receiving a lower rate of pension while they are healthy with a guarantee of critical care cover if they become ill. The willingness of pension schemes to be more creative in their benefit offers would create a pool by which underwriters could judge loss experience.

A 70 year-old seeking,say, a critical care or PHI policy, is a difficult customer. Although the potential policyholder may have been subject to a full medical examination, insurers do not know how to assess the findings. "Is what the doctors have found comparable to what is normal in a 70-year old?" Mr Sansome said. "We don't know because we don't know what is comparable in a 70 year-old."

Meanwhile, the data so far suggest that, if anything, reinsurers and direct insurers are underpricing their Permanent Health Insurance products as well as their long-term and critical illness care products. "We have wanted to raise our PHI rates," Mr Sansome said, noting that stiff competition was preventing M&G, the market leader in reinsuring that product, from doing so. "It's not a market where you can dictate prices because there are other competitors."

Bermuda is the world's fastest growing offshore centre, writes **Richard Lapper**

Magnetic island in the sun

BERMUDA, home of some of the world's fastest growing and innovative reinsurance companies, has benefited from a flood of new interest this year.

More than half a dozen new reinsurance initiatives have been launched, bringing more than $1bn in fresh capital to the island and consolidating its reputation as the world's biggest offshore insurance and reinsurance centre.

Until this year Bermuda was known as a centre for captive insurers and more recently for highly specialised reinsurers which offer high-level liability covers.

Centre Re, the biggest of Bermuda's reinsurance companies with assets of $2.9bn, has pioneered so-called finite risk transactions, while ACE and XL insure large – mainly US – corporations against legal awards.

In June, American International Group, one of the world's biggest insurers, reinforced this trend by sponsoring the formation of a new excess liability company, Starr Excess Liability Insurance. Other backers include General Re, Munich Re, Primamerica and Aon Corporation.

However, most attention has focused recently on the catastrophe reinsurance market, with Bermuda hosting a number of significant new initiatives by North American insurers and financiers. Attracted by the recent strength in reinsurance rates and prospect of attractive profits, Marsh McLennan, the world's biggest insurance broker, and JP Morgan, the US bank, sponsored the formation last autumn of Mid-Ocean, a new $350m reinsurance company.

The company began underwriting in January and in the summer announced plans to go public in the US with an initial public offering expected to raise nearly $250m.

In the last six months five similar ventures have been formed:

● American International Group announced it was setting up a property catastrophe reinsurer, International Property Catastrophe Reinsurance Co, which aims to provide excess of loss treaty reinsurance for personal and commercial risks. AIG has a 24.4 per cent stake in the $300m company which will also underwrite retrocessional business for other reinsurers and also some non-catastrophe business.

● Investors including General Re, the biggest US reinsurance company, and AIG have raised $500m to support Tempest Reinsurance, which is expected to begin underwriting in October.

● Goldman Sachs, the securities house, and Johnson & Higgins, the insurance broker, are organising another company, Global Capital Reinsurance, which is expected to have some $300m in capital. Investors include Underwriters Re Holdings Corporation.

● Investors including Warburg, Pincus Investors, General Electric Pension Trust, Investment Private Placement Partners and USF&G, the US insurance company, are raising $140m to invest in Renaissance Reinsurance. It plans to underwrite property and short-tail casualty insurance, earning more than 60 per cent of an expected $100m a year in premiums from the US market.

● Centre Re itself has formed a Bermuda-based shell company, Centre Cat, which will also underwrite catastrophe reinsurance.

● Separately, General Re is opening a wholly-owned underwriting management company, to help meet growing demand for back office services on the island.

Bermuda has recently hosted a series of new North American initiatives on catastrophe reinsurance

Two obvious attractions are Bermuda's tax regime (companies pay no income or corporation tax and can build up tax-free reserves allowing them to build up much stronger financial strength to meet large scale claims) and its benign regulatory environment.

Bermudian companies are able to avoid the very high so-called "frictional" costs, which are typical of a market – such as London – in which dozens of relatively small insurers and brokers combine to insure and reinsure large risks.

They tend to conduct a small number of high-value transactions, transferring huge blocks of risk on to their own books in exchange for multi-million dollar premiums.

Already there are signs that the amount of fresh capital in Bermuda is having an impact on rates and terms and conditions on international markets. One prominent London underwriter estimates that capacity for leading US buyers has risen from around $120m per event to $150m per event in recent months.

So far, however, there is little sign that Bermudian underwriters are winning market share at the expense of established marketplaces in the North America and Europe, either by offering cheaper policies or better security. Mid-Ocean, the most active Bermudian catastrophe reinsurer at present, generally underwrites portions of reinsurance programmes, in which prices and conditions are set by so-called "lead" underwriters in Lloyd's.

The new companies look set to follow suit. Mr James Stanard, chief executive of Renaissance, says: "Much of our business will be participations on catastrophe programmes led by recognised lead underwriters."

Although there is concern among some US reinsurance buyers about the quality of security in the London market and particularly at Lloyd's, other buyers – especially from Europe and South Africa – are equally sceptical about the durability of Bermudian companies and are particularly mindful of the problems experienced by many Bermudian companies in the mid-1980s.

Industry leaders such as Mr Michael Butt, the chief executive of Mid-Ocean, insist that the Bermudian market "complements" rather than competes with London. Indeed in some other ways the Bermudian market has recently provided direct support for Lloyd's underwriters. Underwriters Capital (Merrett), another new Bermudian company, was formed with the specific purpose of providing quota share reinsurance to the syndicates of the Merrett Group, for example.

Centre Re agreed at the end of last year to back a multi-million pound reinsurance scheme, which will allow Lloyd's Names to obtain stop-loss, or personal, reinsurance. And Centre Re also provides dozens of financial reinsurance policies – called "time and distance" policies – which allow Lloyd's syndicates to manage their reserves more flexibly.

However, as the Bermudian market develops and the confidence of buyers increases, local Bermudian underwriters may begin to seek to lead business.

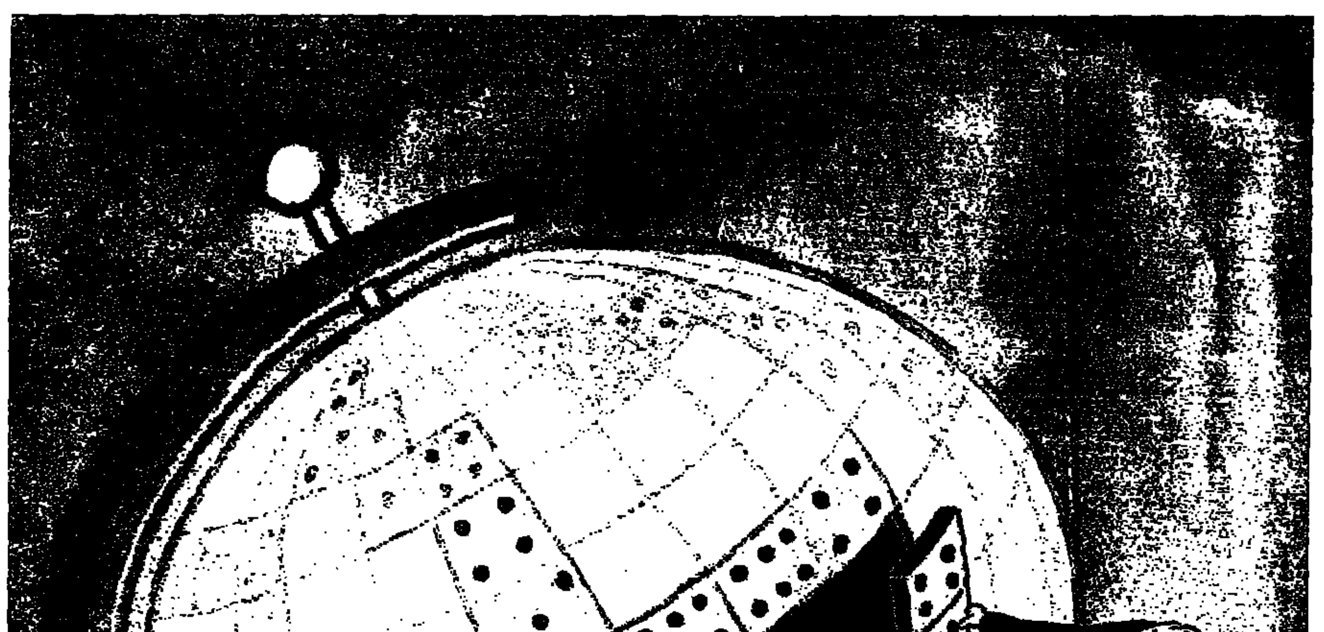
One prominent London underwriter predicts this could happen in the 1995 renewal season. "Customers are already using Bermuda as a stick to beat us over the head," he says.

Bermuda's fashionable resort of Tucker's Town: an idyllic place for handling offshore financial matters

BERMUDA'S BIG INSURERS
Net insurance premiums written in 1992 ($m)

Centre Re	1,100.0
American International	850.0
Excel	434.5
ACE	325.4
OIL	187.6
Mid Ocean Re	130.0
Mutual Risk Management	82.2
Heddington Insurance	74.0

Source: The Bermudian



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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3000						
European Trust	5	57.87	57.67	61.34	1.82	[illegible]
Far Eastern Tst	5	65.90	69.90xd	73.84	1.77	[illegible]
Smaller Cos	5	169.3	174.1xd	185.3	1.34	[illegible]
Smith & Williamson Unit Tst Mgrs (1700)F						
1 Riding House St, London W1A3AS 071-637 5377						
S & W American	5	278.1	278.9	282.7	0.65	[illegible]
S & W Capital	5	128.3	128.3xd	136.4	1.31	[illegible]
S & W Cash	0	101.97	101.97	101.97	5.42	[illegible]
S & W European	5	123.9	124.0	131.2	0.78	[illegible]
S & W Far Eastern	5	162.2	164.1	173.6	0.00	[illegible]
S & W Growth	5	136.6	137.5xd	145.5	1.32	[illegible]
S & W Income	5	122.0	123.2xd	132.3	4.30	[illegible]
S & W Magnum	5	133.1	133.1	142.9	1.26	[illegible]
S & W Smlr Secs	5	340.2	347.6	367.7	0.54	[illegible]
S & W Thoroughbred	5	158.0	158.0xd	167.6	1.21	[illegible]
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50.10	50.10	50.90	6.3	[illegible]
[illegible]	5½	58.60	58.91xd	62.83	7.3	[illegible]
[illegible]	5½	55.53	56.47xd	60.07	9.6	[illegible]
European Growth	5½	64.86	65.31	69.80	2.5	[illegible]
Income	5½	56.26	56.73	60.51	5.4	[illegible]
Intl Growth	5½	87.90	88.52	94.42	2.6	[illegible]
Managed	5½	75.00	75.95	81.01	3.3	[illegible]
UK Growth	5½	59.42	60.03xd	64.03	4.1	[illegible]
Standard Life Tst Mgmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5½	47.45	47.46	50.42	1.44	[illegible]
UK Equity Gth Acc	5½	63.27	64.43	68.45	1.06	[illegible]
UK Eq High Inc Inc	5½	38.32	38.32	40.72	3.46	[illegible]
UK Eq High Inc Acc	5½	45.51	45.51	48.35	3.46	[illegible]
UK Equity Gen Acc	5½	57.77	58.67	62.51	2.01	[illegible]
UK Equity Gen Inc	5½	43.74	44.56	47.34	2.01	[illegible]
UK Larger Cos Acc	F 7½	398.1	409.4	437.7	3.00	[illegible]
UK Larger Cos Inc	F 7½	305.7	309.4	330.2	3.00	[illegible]
Gilt & Fxd Int Inc	5½	33.21	33.29	35.21	5.75	[illegible]
[illegible]	F 7½	294.9	300.0	321.0	1.18	[illegible]
Nth American Acc	5½	43.95	44.22	46.98	0.66	[illegible]
Far East Acc	5½	81.69	81.69	85.54	0.16	[illegible]

	Bid Price	Offer Price	Yield Gross	City-Line
Foreign & Colonial Unit Management Ltd				
Balanced Acc Aug 25	201.80	210.00	2.92	43441
Balanced Inc Aug 25	198.30	206.20	2.92	43443
Latin American Acc Aug 25	117.5	118.80	1.54	43444
Funds in Court*				
Capital Aug 19	598.27	600.75	3.90	40505
Gross Aug 19	220.80	222.37	8.46	40506
High Yield Aug 19	381.95	384.53xd	7.14	40507
*Restricted to entities under Court control				
Gevett (John) Unit Mngmt Ltd				
Managed Exempt	117.71	120.08	3.60	43446
Henderson Unit Trust Management Ltd				
Pensions Mngd	67.00	68.36	2.06	40578
Henderson TR				
Ex European	1465.65	1475.65	1.18	47801
Ex Nth American	1415.87	1427.35	0.80	47802
Ex Pacific Basin	1036.73	1049.92	0.80	47803
Ex Smaller Cos Inc	2141.28	2251.36	2.19	43737
Ex Smaller Cos Acc	2234.38	2412.84	2.19	43782
INVESCO Asset Management Ltd				
Exempt Funds				
Asia & Australasia	£2.5080	2.5848	2.26	44503
Japan	£2.3370	2.3980xd	0.00	44504
Intl Mngd P'folio(1000-1)	£1.6980	1.7840	1.00	48864
Mngd Pens (Acc)	£0.9160	0.9980	3.63	41007
North American	£2.5010	2.5840	2.53	44505
Smaller Companies	£1.5380	1.5870xd	3.61	44506
UK Cos	£1.0850	1.1030xd	4.28	43482
Jupiter Merlin Unit Trust Managers Ltd				
Jupiter Merlin Exempt Trust				
UK Equity	£13.77	14.03	–	43455
Lazard Brothers & Co. Ltd				
Property Aug 6	£2075.0	2240.0	7.00	40777
Inc Gth Fnd Jul 12	£1440.9	1600.0	8.90	40778
Lazard Investors Ltd ‡				
Exempt Funds				
Small Co's Sep 1	£5408.8	5711.8	2.32	40785

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	Yield Gross	City-Line
Providence Capital Life Assc. Co Ltd - Contd.				
Group Pension Funds				
Equity Acc	1182.0	1218.8	-	43473
Fixed Interest Acc	938.3	967.4	-	43474
Managed Acc	177.4	180.9	-	43475
Alpha Funds				
UK Alpha	229.2		-	47220
US Alpha	110.4		-	47221
Gilt Alpha	99.8		-	47722
Gold Alpha	93.2		-	47723
Japan Alpha	40.4		-	47224
US Dollar Alpha	72.8		-	47225
Yen Alpha	77.0		-	47226
D-Mark Alpha	90.6		-	47227
European Alpha	92.4		-	47228
Alpha Pension Funds				
UK Alpha	246.4		-	47229
US Alpha	125.1		-	47230
Gilt Alpha	90.8		-	47231
Gold Alpha	94.2		-	47232
Japan Alpha	48.9		-	47233
US Dollar Alpha	78.3		-	47234
Yen Alpha	83.5		-	47235
DM Alpha	80.3		-	47236
European Alpha	96.5		-	47237
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ				0256 470707
Gold Range (Pensions)				
Managed Fund	188.4		-	49412
Provident Mutual Life Assc. Assn.				
6 Hills Way Stevenage Herts SG1 2ST				0438 732000
Managed Ord	442.8	466.1	-	43484
Managed Init	311.0	327.4	-	43485
Equity Ord	663.0	698.7	-	43486
Equity Init	468.3	490.8	-	43487
Index Linked Gilt Ord	203.0	213.7	-	43488
Index Linked Gilt Init	146.9	154.7	-	43489
Overseas Equity Ord	361.2	380.2	-	43490
Overseas Equity Init	253.7	267.1	-	43491
Property Ord	233.1	245.4	-	43492
Property Init	163.8	172.4	-	43493
Fixed Interest Ord	278.8	293.5	-	43494
Fixed Interest Init	195.8	206.1	-	43495
Deposit Ord	198.2	208.6	-	43496
Deposit Init	139.2	146.5	-	43497
Pension Funds				
Managed Ord	592.9	624.1	-	43498
Managed Init	416.5	438.4	-	43499
Equity Ord	920.2	968.6	-	43500

	Bid Price	Offer Price	Yield Gross	City-Line
Save & Prosper Group (z)				
16-22 Western Rd, Romford RM1 3LB				0708-766966
A.G. Bond Fd	141.1	148.4	-	43852
Bal Inv Fd	701.9	742.8	-	43847
Deposit Fd†	358.4	374.0	-	43842
Directors' Portfolio	77.3	81.8	-	44433
Equity Pens Fd	176.9	187.3	-	43848
European Mngd Fd	81.8	85.2	-	44172
Gilt Fd	511.3	541.1	-	43843
Gilt Pens Fd	140.8	149.0	-	43847
Global Equity Fd	220.1	233.0	-	43844
Global Eq Pens Fd	209.4	221.6	-	43849
High Int Pens Fd†	129.9	136.8	-	43846
Japanese Mngd Fd	75.7	80.2	-	44305
Managed Income Fd	50.6	53.5	4.98	44323
Man Pens Fd	150.2	158.7	-	43850
North American Mngd Fd	67.2	71.2	-	44328
Pacific Mngd Fd	70.0	74.1	-	44332
Property Fd*	89.4	94.7	-	43845
Prop Pens Fd*	114.8	121.3	-	43851
Thomson Linked Managed	207.3	219.4	-	47727
UK Capital Portfolio	58.7	62.2	-	44334
UK Managed Gth Fd	57.0	60.4	-	44337

†Weekly dealings. *Fortnightly dealings

	Bid Price	Offer Price	Yield Gross	City-Line
Scottish Amicable				
150 St Vincent St, Glasgow				041-248 2323
Life Funds (First Series)				
Managed	436.5	458.5	-	43881
Equity	548.3	577.2	-	43855
Property	248.0	261.1	-	43858
International	434.0	456.9	-	43857
Japanese	125.7	132.4	-	48287
Asia Pacific	150.9	158.9	-	48254
European	119.2	125.5	-	48255
American	154.0	162.2	-	48253
Fixed Interest	364.8	383.8	-	43856
Index-Linked Gilt	197.3	207.7	-	43860
Cash	222.0	233.7	-	43859
Life Funds (Second Series)				
Managed	121.4	127.8	-	47103
Equity	118.0	124.3	-	47067
Property	104.4	109.9	-	47107
International	134.3	141.4	-	47101
Japanese	126.2	132.9	-	47102
Asia Pacific	148.2	156.1	-	47059
European	118.3	124.6	-	47078
American	150.7	158.7	-	47080
Fixed Interest	137.2	144.5	-	47081
Index-Linked Gilt	126.3	133.0	-	47100

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
John Govett (Channel Islands) Ltd (1000)F						
6 Mincon Place, Helier, Jersey 0534 38578						
Global Stock Inv Ltd (Fmly Govett Flexifund)						
Global Equity		-	-	-	-	4778
Global High Income	5½	$11.15	11.15	11.19	10.5	4779
Dollar Cash	6½	$8.94	8.94	8.97	3.00	4780
Japanese Smllr Cos	5	Y978	978	991	0.00	4737
Far East Equity	5½	$17.06	17.06	17.50	1.00	4738
US Smaller Cos	5½	$17.68	17.68	18.09	0.75	4739
European Equity	5½	DM19.52	19.52	13.68	2.00	4790
UK High Income	3	£5.58	5.58	5.61	8.70	4791
Initial charge may alter for sales in other jurisdictions						
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St Helier, Jersey 0534 604814						
Stg Fixed Int	3½	£1.385	1.385	1.440	7.06	4539
Offshore High Yield	3½	£1.576	1.578	1.636	9.24	4540
Global Equity Fund	5½	$17.18	17.18	18.35	0.00	4598
European Equity	5½	DM21.71	21.71	23.22	1.76	4523
UK Growth (C Fund)	5½	£5.400	5.400	5.775	1.84	4524
Nth American Eqty	5½	$11.62	11.62	12.41	0.00	4530
Far Eastern Eqty	5½	$15.30	15.30	16.36	0.00	4532
International Mngd	5½	£13.91	13.95	14.92	0.00	4498
Intnl. Bond Fund						
Sterling Managed	3½	£12.22	12.22	12.75	7.38	4535
US Dollar Managed	3½	$14.08	14.08	14.69	5.42	4536
International Currency Fund						
Sterling Managed	3½	£32.73	32.73	33.92	-	4537
US Dollar Managed	3½	$31.22	31.22	32.35	-	4538

Bank Von Ernst & Cie AG - Contd.

International Sub-Funds

Banque Scandinave a Luxembourg SA

18 Boulevard Royal, L-2449, Luxembourg

Jupiter Tyndall Global Fund

Banque Ferrier Lullin (Lux) SA

Nomura Asian Infrastructure Fd SICAV

Cathay Clemente (Holdings) Limited

Haussmann Hldgs NV Curacao

Pacific Growth Fund

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Pressure on dollar

AFTER last week's poorer than expected payroll figure, the focus of many participants in foreign exchange markets will again be on the dollar/D-Mark exchange rate, *writes James Blitz*.

Although there is little in the way of US data over the next few days, Friday's payroll figure is likely to cast a shadow over the dollar over the next few weeks. It tends to be seen as an important indicator of the data in the forthcoming month.

UK clearing bank base lending rate 6 per cent from January 26, 1993

With the August figure turning out to be a drop of 39,000 on the month compared to expectations of a rise of 144,000, the scope for continuing disappointment in the US economic recovery may be high.

Expectations of a cut in official German interest rates at Thursday's council meeting of the Bundesbank could also be disappointed.

The Bundesbank may be encouraged to ease policy because of the strength of the D-Mark against the dollar. Last month, *Mr Hans Tietmeyer*, the Bundesbank president-elect, said a strong D-Mark would not be in the interest of German exporters.

However, data for M3 monetary growth last month – when the Bundesbank intervened in currency markets to try to keep the ERM together – have not yet been released, and are expected to be well above target range. Mounting evidence that the recession in Germany has bottomed out may also stay the Bundesbank's hand.

This may also be the week when fund managers analyse the currency weightings in their portfolios for the autumn – and the evidence is that they are heavily overweight in the dollar at a time when it has a strong downside. According to some analysts, fund managers would have to shed 10 per cent of their dollar holdings to get a neutral position.

£ IN NEW YORK

Sep 3	Close	Previous Close
£ Spot	1.5290-1.5310	1.5020 1.5030
1 month	0.35-0.34pm	0.36 0.35pm
3 months	1.02-1.00pm	1.01 1.00pm
12 months	3.09-3.02pm	3.00 2.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep 3	Previous
8.30 am	80.6	80.7
9.00 am	80.6	80.8
10.00 am	80.6	80.7
11.00 am	80.6	80.7
Noon	80.5	80.6
1.00 pm	80.5	80.7
2.00 pm	80.8	80.4
3.00 pm	80.8	80.5
4.00 pm	81.3	80.5

OTHER CURRENCIES

Sep 3	£	$
Argentina	1.5135 - 1.5160	1.0005 - 1.0015
Australia	2.3380 - 2.3400	1.5470 - 1.5480
Brazil	149.380 - 149.360	98.7500 - 98.7510
Finland	8.8120 - 8.8935	5.8400 - 5.8600
Greece	346.500 - 353.550	231.000 - 235.700
Hong Kong	11.6935 - 11.7056	7.7500 - 7.7510
Iran	2305.00 - 2315.00	1582.00 - 1584.00
Korea(Sth)	1202.60 - 1222.00	804.20 - 810.60
Kuwait	0.45300 - 0.45400	0.30010 - 0.30060
Luxembourg	53.90 - 54.00	35.30 - 35.40
Malaysia	3.8440 - 3.8510	2.5510 - 2.5520
Mexico	4.7055 - 4.7085	3.1110 - 3.1130
N.Zealand	2.7770 - 2.7800	1.8380 - 1.8380
Saudi Ar	5.6570 - 5.6880	3.7495 - 3.7505
Singapore	2.4230 - 2.4290	1.6045 - 1.6055
S.Af (Cm)	5.1085 - 5.1280	3.3930 - 3.3945
S.Af (Fn)	7.1770 - 7.1920	4.7450 - 4.7550
Taiwan	40.70 - 40.85	26.90 - 27.00
U.A.E.	5.5360 - 5.5510	3.6715 - 3.6735

CURRENCY MOVEMENTS

CURRENCY RATES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

CHICAGO

PHILADELPHIA SE £/$ OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

BASE LENDING RATES

STOCK INDICES

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

Continued on next page

FT-ACTUARIES WORLD INDICES

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MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

TELFORD
25TH BIRTHDAY

THE FINANCIAL TIMES PLANS TO PUBLISH THIS SURVEY ON

MONDAY 13TH DECEMBER

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FT SURVEYS

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AMERICANS

	Notes	Price £	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		17¾xd	1.2	68c	FeMyAuNv	12.7	1503
Allegheny & W	♥	612p	-1.4	30c	-	-	-
Amdahl		314p	-3.7	5c	NvFeJeAu	31.1	-
Amer Cyanamid		38⅛	3.6	$1.75	MrJeSeDe	4.3	-
Amer Express		22⅛xd	1.4	$1.00	FeMyAuNv	5.7	1594
Amer T & T		41⅞xd	4.2	$1.32	FeMyAuNv	25.6	1597
Ameritech		57¼	2.3	$3.68	FeMyAuNv	28.3	-
Anheuser-Busch		32⅛	3.8	Q$1.44	MrJeSeDe	4.8	1620
BankAmerica		30⅝xd	-.3	$1.49	MrJeSeDe	17.8	1744
Bankers NY		53⅝xd	3.0	$3.12	ApJyOcJa	24.12	1745
Bell Atlantic		42⅞	4.9	$2.68	FeMyAuNv	4.7	-
BellSouth		33¾	5.5	$2.76	FeMyAuNv	6.4	-
Bethlehem Steel	♥	6⅞xd	-2.1	-	MrJeSeDe	6.2	1821
Bowater		1339pxd	-3.0	60c	OcJaApJy	9.3	1884
CPC		30xd	1.4	$1.28	JaApJyOc	25.6	2263
California Engy		1168p	-1.9	-	-	-	-
Chase Manhattan		22⅞xd	0.4	$1.20	FeMyAuNv	27.7	2109
Chrysler		28½xd	—	60c	ApJyOcJa	15.6	2135
Citicorp		21½xd	-1.1	-	-	23.10	2141
Colgate-Palm		34¼xd	0.7	$1.44	FeMyAuNv	21.7	2184
Cont'l Bank		1620p	0.4	60c	DeMrJeSe	31.5	-
Dana		36⅞xd	1.5	$1.60	MrJeSeDe	27.8	2306
Data General		629p	3.0	-	-	-	-
Decora Inds	♥	113p	8.7	-	-	-	-
Dun & Brad		40⅞	-1.1	$2.44	MrJeSeDe	13.2	-
Eaton		32⅛	0.8	$1.20	FeMyAuNv	2.2	2410
Echlin		18¾xd	-.3	70c	JaApJyOc	30.6	3046
FPL		26⅞xd	2.4	$2.48	MrJeSeDe	25.5	-
Ford Motor		34¼xd	-.7	$1.60	MrJeSeDe	28.7	2615
Gen Elect		64½xd	-.7	$2.52	JaApJyOc	3.8	2675
General Host	♥	470p	-.2	34c	-	13.12	-
Gillette		35⅞xd	—	84c	MrJeSeDe	28.7	2695
Hasbro		26⅞	—	24c	FeApJyNv	1.9	-
Honeywell		23⅛xd	-7.2	88c	MrJeSeDe	24.8	2919
Houston Inds		30¾	-.4	$3.00	MrJeSeDe	10.11	-
Ingersoll-Rand		25⅞xd	2.3	70c	MrJeSeDe	17.8	2979
Lockheed		41½	3.4	$2.12	MrJeSeDe	15.2	-
Lowe's		2571p	-2.7	32c	JaApJyOc	11.7	-
Matry Technology		287p	-11.3	-	-	-	-
Merrill Lynch		63¼xd	1.0	$1.40	FeMyAuNv	30.4	3351
Morgan (JP)		50⅝xd	1.3	$2.40	JaApJyOc	18.6	3418
Morris (Philip)	✣	32¼xd	1.8	$2.60	JaApJyOc	10.6	5161
NYNEX		61	2.3	$4.72	FeMyAuNv	27.6	4740
Pall		12¼	3.2	32c	FeMyAuNv	24.1	-
Pennzoil		48⅛xd	0.3	$3.00	MrJeSeDe	28.8	3630
Quaker Oats		48xd	0.8	$1.92	JyOcJaAp	22.8	3738
Questor		491p	162.2	-	-	-	2416
Rockwell		23⅞xd	-.5	$1.00	MrJeSeDe	11.8	3847
Rep NY		35½xd	1.2	$1.08	JaApJySe	10.6	3814
Sears, Roebuck		38½xd	5.8	$1.60	JaApJyOc	26.8	5191
Sthwestern Bell	h	30⅞	7.0	$1.51	MyAuNvFe	4.7	-
Sun Co		18⅝xd	2.4	$1.80	MrJeSeDe	5.8	4135
Tenneco		35⅞xd	0.7	$1.60	MrJeSeDe	20.8	-
Texaco		43½xd	0.9	$3.20	MrJeSeDe	4.8	4200
Time Warner		27½xd	2.8	32c	MrJeSeDe	19.8	4234
UniSab	♥	422p	—	-	-	-	-
US West		31	0.8	$2.14	FbMyAuNv	14.4	-
Vardy		2554p	-.2	-	-	11.77	-
WMX Technologies		21⅞xd	9.4	60c	ApJyOcJa	11.6	4439
Whirlpool		4262pxd	-5.9	$1.22	MrJeSeDe	4.3	-
Woolworth	♥	17¾	5.3	$1.16	MrJeSeDe	28.1	4540

CANADIANS

	Notes	Price £	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbot Energy	♥	2p	—	-	-	-	-
Amer Barrick		1582p	-5.4	10.2c	Jun Dec	-	-
Bk Montreal	h	13⅞	—	$1.12	FbMyAuNv	2.8	1029
Bk Nova Scot		1345p	-1.3	$1.12	JaApJeOc	30.6	1017
BC Gas	♥	810p	-2.1	60c	FeMyAuNv	30.12	-
BCE		21½	-5.0	$2.64	ApJyOcJa	12.6	-
Brascan	♥	685p	1.9	$1.04	JaApJyOc	28.10	-
Bredlowater	♥	8¼p	-9.7	10c	-	-	-
Can Imp Bk		1631p	-1.9	$1.32	JaApAuNv	28.6	1037
Can Pacific		1048p	—	32c	JaApJyOc	28.12	-
[illegible]							

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Europa Mints	38	—	–	–	–	–	3427
Glencar Expl	12	9.1	–	–	–	–	–
Greenwich Res	14¾	–4.8	–	–	–	–	2773
Hemlo Gold C$	58¾	–6.9	Q20c	–	Dec Jun	8.11	–
Ivernia West	42	—	–	–	–	–	–
Kells Minls	13	—	–	–	–	–	3741
Kenmare	9¼	—	–	–	–	–	1453
Malaga Res.	9	5.9	–	–	–	–	–
Navan Res	88	3.2	–	–	–	–	1883
5pc Ln Notes	94⅞	–.5	–	–	–	–	–
Oryx Gold	76⅝	—	–	–	–	–	3686
Ovoca Res	8	—	–	–	–	–	1479
RTZ	732	–3	19.5	1.3	Dec Aug	7.6	3880

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Not subject to ACT.
z Dividend includes a special payment: Cover does not apply to special payment.
E Auction basis
F Dividend based on prospectus or other official estimates for 1994-95.
G Assumed dividend after pending scrip and/ or rights issue.
H Dividend based on prospectus or other official estimates for 1993.
K Dividend based on prospectus or other official estimates for 1992-93
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1993-94.
N Dividend based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close September 3

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.7	656	72	13¼	13	13⅛	+⅛
29⅜	13¾	A L Labs A	0.18	1.0	37	511	18¾	18½	18⅝	+⅛
65⅞	54⅝	AMP Inc	1.60	2.4	23	2054	u66⅛	65⅝	65⅞	+¼
72¾	55½	AMR			16	4972	65½	64⅜	64¾	-⅞
3⅜	1¾	ARX			12	946	3⅛	3	3⅛	+⅛
51½	29⅞	ASA	2.00	4.7	28	370	42¾	42¼	42⅝	-⅞
30¾	22⅝	Abbott Lab	0.68	2.6	16	6387	27	26⅝	26⅝	-¼
12⅝	9½	Abitibi Pr	0.50	5.3	4	17	9⅝	d9⅜	9⅜	-⅛
15¾	8¼	Acplncsln			44	51	14¼	14⅛	14¼	+⅛
36	25½	ACE Ltd	0.63	1.8		403	34¾	34½	34⅝	-⅛
12	10¾	ACM Gvt In	0.98	8.4		477	11⅜	11¼	11⅜	
10	9⅛	ACM GvOpp	0.80	8.2		184	9⅞	9¾	9¾	
9⅞	8¾	ACM Gvt Sp x	0.80	8.4		308	9⅝	9½	9½	-⅛
11⅝	10½	ACM Gvt Se	0.96	8.6		663	11¼	11⅛	11⅛	
11⅝	9⅝	ACM Msn	1.08	9.6		136	11⅜	11¼	11¼	
9⅜	8⅝	ACM Managd	0.72	7.7		438	u9⅜	9⅛	9⅜	+¼
12⅜	7¾	Acme Cleve	0.44	4.8	12	111	9¼	9	9⅛	+⅛
9¼	6½	Acme Elect			50	63	7⅛	7	7⅛	+⅛
27	18⅜	Acordia	0.44	1.6	16	54	u27⅝	27¼	27⅝	+⅝
16	10⅜	Acuson			32	175	12¼	11⅞	11⅞	
21¾	19	Adams Expr	0.48	2.4	1	132	19⅞	19⅝	19⅞	
65¼	45½	Ad Micro	3.00	5.0		1077	63⅞	59	60	-3
32¾	17⅝	Ad Micro P	3.00	10.3	11	36345	31⅜	28½	29⅛	-1⅞
7¾	5½	Advest Grp	0.16	2.3	12	103	7¼	7	7	-⅛
24¾	16⅛	Adva Inc	0.08	0.5	18	349	17¼	17	17¼	+¼
49¾	41⅛	Aegon ADR	1.23	2.5	9	65	49¾	48¼	48¾	-¼
60½	43⅞	Aetna Lf	2.76	4.6	41	941	59⅞	59¼	59⅝	+¼
14½	11½	Aflil A	0.26	1.9	29	747	14	13⅞	14	
34	26⅜	Aflac	0.40	1.2	16	1049	33¼	32⅞	33	+⅛
22⅛	16¾	Ahmanson	0.88	4.4	8	806	20	19¾	19⅞	-⅛
7¾	4	Aileen Inc			5	66	4⅜	4⅛	4⅜	+¼

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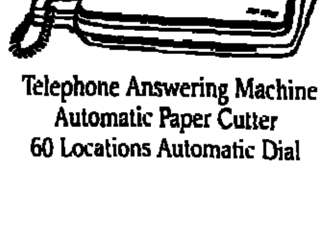
Samsung Personal Fax



Telephone Answering Machine
Automatic Paper Cutter
60 Locations Automatic Dial

SAMSUNG
ELECTRONICS

Continued on next page

4 pm close September 3

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22	15½	S Anita Rt	1.36	7.8	15	88	17⅜	17¼	17⅜	
20¾	14⅞	SCOR US Cp	0.32	2.0	185	105	15⅝	15⅜	15⅝	
29¾	20	SPS Techno	1.28	4.5	20	26	28¼	28	28¼	+⅜
14⅞	12⅞	Sabine Rt	1.80	12.2	10	92	14¾	14⅝	14¾	
13¾	8⅞	Safecard	0.20	1.6	12	56	12¾	12⅝	12⅝	
23½	16⅞	Safeg'd Se			10	24	21½	21¼	21½	-¼
24¾	14⅞	SafetyKln	0.36	2.3	24	1058	15¾	15¾	15⅝	-⅛
19⅛	10⅞	Safeway			29	708	18¾	18¼	18⅝	-⅛
4¾	2	SafewayWt96				152	4⅛	4	4	+⅛
55	37½	StJoePaper	0.30	0.4	154	98	52¾	52⅛	52½	
37⅞	31	StJosL&P	1.76	4.7	15	z100	37⅜	37⅜	37⅜	-¼
94	75	St Paul's	2.80	3.1	15	361	92⅛	90¾	91½	
11⅞	7⅞	Salant Crp			4	20	8⅞	8¾	8¾	-⅝
75¾	39⅞	Sallie Mae	1.20	2.6	10	2665	46⅛	45⅜	45¾	
14¼	13	Salomon Br	0.32	2.3		330	14	13⅞	14	-⅜
51⅞	34	Salomoniac	0.64	1.3	12	2300	51⅜	50⅛	50⅝	+⅛
27⅞	23¼	SanDgo G&E	1.48	5.5	14	216	27½	27	27⅛	-⅝
4⅞	3½	SantaFeEDu	0.40	10.7	37	31	3⅞	3¾	3¾	-½
11⅞	9⅛	SantaFeERs	0.16	1.5	625	2145	10⅞	10⅜	10½	
40¾	35¾	SantaFePac	2.80	7.2	13	61	38⅞	38½	38⅞	+¼
19	12¾	SantaFPac	0.10	0.5	12	2073	18¾	18¼	18⅝	+¼
31⅛	21	Sara Lee	0.56	2.2	18	6123	26½	26¼	26⅜	+¼
51⅞	40⅛	Scana Corp	2.74	5.4	15	328	51¼	50⅞	51⅛	
25¼	21½	Scecorp	1.42	5.7	15	1842	u25¼	25	25⅛	-½
36⅞	23⅞	ScherezRP			24	434	29½	29⅛	29¼	+⅛
70⅞	51¾	SchergPl	1.80	2.8	15	4889	63⅛	62	62¼	-⅛
68⅞	21⅞	Sch'berger	1.20	1.8	26	4656	68	66⅝	67½	-¾
34	16½	Schwab(C)	0.20	0.6	19	562	33¾	33⅛	33¼	+½
7¾	5⅞	Schwitzer			45	37	u7¾	7⅝	7¾	-⅜
37⅞	17⅞	ScientAtln x	0.12	0.3	55	345	37⅞	36½	36½	+¼
13⅞	8⅛	Scotsman	0.10	0.8	13	10	13¼	13	13¼	+⅛

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Price data supplied by Telekurs

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NASDAQ NATIONAL MARKET

4 pm close September 3

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AMEX COMPOSITE PRICES

4 pm close September 3

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MONDAY INTERVIEW

Into extra time in Japan

Gary Lineker, former England footballer, talks to Charles Leadbeater

Reuter

'It is much easier to motivate yourself here'

The man widely regarded as The Greatest Living Englishman hobbled around the corner. He delivered a melting smile and offered to buy me an orange juice in the canteen.

"Oranju jusu, futatsu," he asked in impeccable beginner's Japanese. When the canteen manager refused to take his yen in payment, he remarked quietly: "That's nice – free orange juice."

An international sports superstar, earning thousands of pounds a week as the best-paid foreign player in the Japanese soccer league's first season, he is still pleasantly surprised at getting a free orange juice. The answer to my main question was already becoming clear before I had asked it: Gary Lineker really is a charming person.

And even limping with a broken toe, and dressed in drab blue jeans and T-shirt, he manages to look good, horribly good. Tanned and muscular, with deep brown eyes, slightly greying temples and almost always smiling broadly, he has become a household name in Japan, even though his bad toe has kept him out of the game for most of the season.

The 32-year-old striker's first serious injury has been a big frustration. He has sat on the sidelines as the J-League has taken off, and watching football has become Japan's most fashionable pastime with crowds of up to 60,000 a game, while his team Nagoya Grampus Eight has fallen towards the bottom of the league and a clutch of unknown Brazilians has taken their team to the top of the table.

Yet, for all that, and in spite of Japan's often torrential summer rain, the move from London's Tottenham Hotspur has reinvigorated the man who came within one goal of Bobby Charlton's record of 48 goals in an England shirt.

"To be honest, I have been surprised that the standard has been so high. There are no negative aspects to the game. Everything is so positive," he explained.

Lineker's excitement is due not just to the J-League's early popularity. It is more than that. Japan, a land where formal good manners are the norm, and Lineker, known as the politest man in British sport, were made for one another.

The most striking thing about Lineker is how personable and modest he is. Yet beneath his apparently effortless politeness, he is extremely controlled. Words are carefully weighed, judgments are measured and rare criticisms are usually indirect.

Lineker admits to loving football. Yet by the end of his career with Spurs his motivation for league games was flagging. The move to Japan, where stadiums are packed to capacity with noisy, flag-waving crowds of mainly young people, has revived him.

"The crowd are what make it," he explained. "Wherever we play the grounds are sold out and colourful. The greatest thing is that the crowd is not at all cynical. Because it is all new to them, they think the whole thing is exciting. Even if you are losing three-nil they still get behind you, and to be honest I have found that really refreshing. It is much easier to motivate yourself here."

The Linekers – wife Michelle, eldest son George (recovering from leukaemia) and recent arrival Harry – are settling well in industrial Nagoya, three hours south of Tokyo.

"Culture shock is lots of little things," reflected Lineker, who also played in Spain for Barcelona in the mid-1980s. "We do most of the same things we did in England: eat out, see friends. Living here has been great, a once in a lifetime opportunity."

His travails with Japanese (he speaks Spanish fluently) make his work more difficult, even though most of the terminology of Japanese soccer – "shootoh", "offu sidoh" – is borrowed from English. Language apart, Lineker said that working for a Japanese company – Grampus Eight is the Toyota works team – was not much different from working for a British one.

"You have to be very patient and explain things, and accept that sometimes they will not listen; they do things their way. We train a little longer than in England but not as intensely. There are far more people in the club office, but that is one of the ways they keep down unemployment."

The J-League's success has done more than renew Lineker's enthusiasm. It has also given him a wider perspective on the shortcomings of the English game.

As England prepares for Wednesday's match against Poland, which could mark its exit from the World Cup, Lineker has some advice about how the English game should be restructured to make it more internationally competitive – although, as usual, the criticism was delivered by implication.

"Here they are prepared to listen to players and managers, which is certainly something they could learn from in England."

The explanations for England's demise moved Lineker to the boundaries of his world of carefully chosen, diplomatic phrases. There were hints of bitterness about the unhappy end to his own career (he was substituted in his final game for England) and even a touch of injured pride, if not self-interest: "It is hard to see us qualifying [for the World Cup], and that would be a big blow to the game. Things look pretty bad.

"I just think that we have to bring back the best players who have been dropped. We have proved beyond doubt now that you cannot compete at international level unless you play your best 11 players. At that level it is not about hustling people and winning the ball all day long, you have to have a bit more than that."

He would not say that he should still be playing for England, but remarked: "We showed in the 1990 World Cup that we could compete with the best in the world. That all seems to have been tossed aside too soon."

He does not lay all the blame at the door of Graham Taylor, the little-loved English manager. The root of the English game's troubles were in the way youngsters learnt to play, Lineker said.

"We will never be as technically gifted as other countries until we change the size of pitches our kids play on. They play on massive pitches, so they are taught to boot the ball as far as possible to get it to the other end. In other countries, Germany and Holland, they deliberately play on smaller pitches so that they learn how to pass.

"If we banned youth football on big pitches, then we might start competing internationally with consistency, rather than occasionally."

The professional game also needed reorganisation, he argued. "We have to cut down the amount of football we play, because we just get lots of injuries. The quality of the game suffers, players are never fresh. In the Italian league they play fewer games, the players are fresher, quicker, better. We should get rid of one of the cup competitions and cut the league down to 18 teams."

Viewed from Japan, the weaknesses of English football are very much the traditional weaknesses of British industry: a reliance on high-volume, poorly marketed products of variable quality and limited innovation, which require players of great strength but only middling skills, exactly the qualities both the industrial and football training systems are designed to deliver.

Lineker disavowed any ambitions to return to England as a football manager after his two-year stint with the Nagoya team. Yet, after his experience of the J-League success, he could emerge as an eloquent critic of the way the British game is ensnared by the mediocrity of much of its management. "It would be nice to put something back into the game, some of these ideas. But that is very difficult in England because they do not tend to listen to players. Maybe it will change one day, but they are not receptive to new ideas."

PERSONAL FILE

1960 Born, Leicester.
1978 Joined Leicester City.
1986 Began three seasons in Barcelona.
1986 Won Golden Boot Award for highest goalscorer in Mexico World Cup Finals.
1989 Joined Tottenham Hotspur.
1991 Baby son George contracted leukaemia.
1992 Ended England career with 80 caps as second highest scorer ever.
1992 Joined Nagoya Grampus Eight.

Heretical thoughts on currencies

MICHAEL PROWSE on AMERICA

The blowing apart of the European exchange rate mechanism last month was the second failure of a fixed, but theoretically adjustable, exchange rate system in 25 years. In the immediate post-war decades the US was the proud anchor of a global version of the ERM known as the Bretton Woods system. It broke down for painfully familiar reasons. The US failed to keep inflation under control in the late 1960s, thus undermining the existing set of exchange rate parities. The strains were magnified by the growing mobility of international capital – small by today's standards but still a destabilising influence.

As both the US and Germany have failed to provide the stability required of anchor nations, and as no other anchors are in sight, should the world's monetary authorities accept that floating rates are here to stay? Most US economists would say Yes. With $900bn of foreign exchange transactions occurring daily, they believe governments cannot hope to do more than influence the pace of currency adjustments through shrewdly timed interventions, such as the US move last month to support the dollar.

Free market economists are comfortable with floating rates because they regard the exchange rate as a price: the price of one money in terms of others. They see the case for flexible rates as part and parcel of the general argument for flexible prices. Since governments have no means of discovering what constitutes a correct or "equilibrium" exchange rate, they should not attempt to dictate to markets. Price rigging inevitably creates distortions, whether the market is for fish, coalminers or the pound sterling.

This argument is actually less strong than it appears. The essence of market mechanisms is that they are tailored to the different circumstances of particular economic agents. All real prices are the prices of particular commodities and services. Aggregate price indices – such as the consumer price index – are statistical constructs with little economic meaning.

Consider what happens when the exchange rate is devalued by, say, 5 per cent. At a stroke all domestic prices are reduced by this amount in terms of foreign currencies. The economic circumstances of every exporter are miraculously improved. The gains are reaped by efficient and inefficient alike. This is more like a government decree abruptly changing all prices than a true market mechanism.

Compare this with what happens with fixed exchange rates – when the value of one money in terms of another is held steady. Since currency movements have an economic impact only by changing the ratio of domestic to foreign prices, all the benefits from devaluation (or revaluation) can still be reaped by changes in domestic prices. If domestic prices fall by 5 per cent, they will fall by 5 per cent in foreign currency terms without any change in the exchange rate.

The difference, of course, is that not all prices would fall by the same amount. If trading conditions abroad were tough, efficient companies would reduce costs more rapidly than the less efficient, deservedly gaining market share in the process. The impact of these cost changes would then filter unevenly through the whole domestic economy.

When free market economists hail the virtues of flexible exchange rates, they are implicitly accepting the Keynesian dogma that domestic prices (and wages) are irretrievably sticky. They need to wave the macro wand of the exchange rate only because the micro economy is inflexible. Yet since the efficiency of a market system depends on the flexibility of prices and wages, this is a dangerous concession.

Why should the public always be deemed incapable of accepting the fact that flexible prices are good for everybody in the long term, even if the need for occasional falls in individual prices (or wage rates) requires a temporary sacrifice by some groups? In the 19th century falling prices was regarded as perfectly normal, and not as a harbinger of doom; if productivity is rising they are not inconsistent with rising real wages and profits.

Flexible rates are very much a second best solution. They rarely bring lasting benefits: the dollar has been devalued 60 per cent against the D-Mark and 70 per cent against the yen since 1968, without a conspicuous improvement in the US trade performance. Yet the wild gyrations of flexible exchange rates impose significant costs, because they undermine the ability of producers of real goods and services to plan for the long term. It is no accident that protectionist pressures began to intensify after the collapse of Bretton Woods in the early 1970s.

Creating zones of currency stability will never be easy. But the success of the 19th century Gold Standard suggests that fixed rates are compatible with the kind of economic strains experienced today. Capital was highly mobile then and big economic shifts occurred, such as the rise of Germany as a manufacturing power. But the credibility of the Victorian commitment to low inflation, irrevocably fixed exchange rates and flexible domestic prices and wages were indispensable props. The fact that we have to rely on the blunt instrument of floating rates today should be seen as a mark of failure, a sign that the commitment to market principles is still very partial in most countries.

EC's northern exposure

Wrangles between Brussels and the Nordic countries over their applications to join the European Community are likely to be the subject of a growing number of newspaper reports in the next few months.

As negotiations get down to the toughest issues – particularly the demand for special treatment for the Arctic regions – doubts may be raised about whether agreement can be reached. From the EC point of view, a serious question remains: do the Nordic countries – Finland, Norway and Sweden – really want to join the Community?

There is no easy answer. Consider the following example: few harbours in Europe outside the English channel are as busy with passenger ships as Helsinki, the capital of Finland. Every day, liners with unlikely names like Cinderella manoeuvre in and out of the small port, dwarfing the rocky islands that guard the approaches.

Some head south for Tallinn, plying a fast-growing trade with Estonia. The biggest and sleekest glide westwards towards Stockholm. Some passengers on board are genuine travellers, preferring the overnight journey by sea to the high cost of flying around the Nordic region. But many are simply along for the cruise.

Finns, Swedes and Norwegians enjoy these Baltic jaunts chiefly because they can stock up on duty-free booze. Drink on board is a good deal cheaper than in their state alcohol monopolies.

The EC wants to break these monopolies. If it succeeds, the price of drink on dry land would fall. But people are not cheering on the EC negotiators. Rather, the three Nordic governments are resisting such changes because of the political influence still wielded by their respective temperance movements.

Perhaps it is not such a paradox. In their different ways, the Finns, Norwegians and Swedes are proud and jealous of their way of life and the prosperous, welfare societies they have created against the climatic odds – even if the recession has put them under severe strain.

For instance, in Norway, fishing accounts for only a tiny proportion of gross domestic product and employs only a small fraction of the workforce. But fishing and the sea retain an unshakeable place in the national identity. Fishing makes up, in the memorable metaphor of an adviser to Prime Minister Gro Harlem Brundtland, 30 per cent of political GDP. The issue of EC fishing quotas is, therefore, much more than just a question of fish stock management and fishermen's income.

If the Community were in a more upbeat phase, a Yes vote could be easy to attain

Likewise, the argument that food would become cheaper and choice wider if protection and subsidy for Arctic and sub-Arctic farmers were dismantled, cuts little ice with a Nordic public that has traditionally been willing to pay a price for sustaining the population in remote areas. People do not understand why, as all three countries would become net contributors to the EC budget, Brussels should not fund some of these subsidies just as it did for disadvantaged southern rural areas when they joined the Community.

Scepticism towards the EC in societies that are wary of outsiders has been reinforced by the recent disarray within the Community. Confronted by confusion over the Maastricht treaty, currency chaos, recession and, not least, the woeful EC response to war in former Yugoslavia, public opinion has hardened against the Community, just as it has within many of the member countries.

Opinion polls show the No camp in a clear lead in Norway and Sweden and, at best, only a fragile Yes vote in Finland. The three Nordic governments, particularly those in Oslo and Helsinki, are thus adopting a muscular pose in the negotiations. Each has promised to hold a referendum before making the final decision on accession, and they are worried that they will lose unless they are seen to have struck a hard bargain. Hence Mr Esko Aho, the Finnish prime minister, whose own rurally based Centre party is divided over the EC, talks of the Community having to adopt a "northern approach".

In spite of such utterances, it could be a mistake for the EC to conclude that the Nordic countries do not really want membership. With the possible exception of Norway, it is hard to find senior policymakers, officials, businessmen and even trade unionists who do not think the three would be better off inside than outside the EC. The prospect of breakdown in negotiations tends to induce a collective shudder.

There is a clear undercurrent of anxiety over the possible consequences of being left out – of the north becoming a dead-end street, as one Swede put it. A recent Finnish study showed that 77 per cent of voters thought Finland would soon join the EC, suggesting a belief that there is no practical alternative. Many people throughout the region say that, if the Community were in a more upbeat phase, as it was at the end of the 1980s, a Yes vote would be easy to attain. There remains the faint suspicion that the Community, exhausted by the events of the past 18 months, is ambivalent about enlargement.

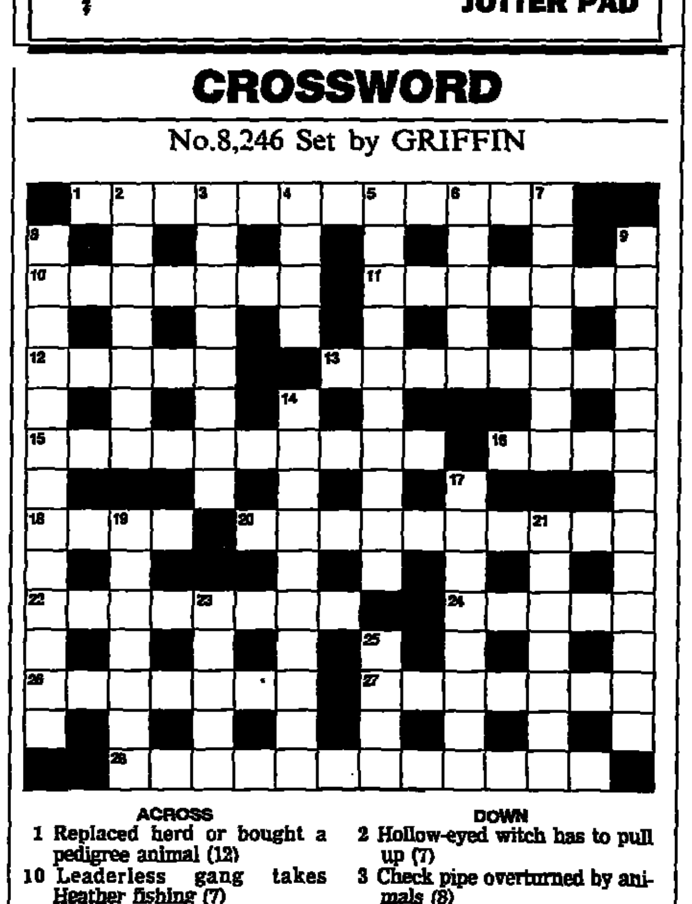
If the leaderships on both sides are sincere in their expressions of mutual commitment to the goal of Nordic accession, they are doing a poor job of getting the message across to the public. An impression of distrust will grow if the autumn round of negotiations proves as difficult as predicted.

Instead of allowing attention to be focused on disputes over subsidies per head of reindeer, political leaders should try to rejuvenate the vision of the Nordic countries taking their place in the expanding family of European nations. Perhaps an EC-Nordic summit on board a Baltic cruise liner would do the trick.

Hugh Carnegy

CROSSWORD

No.8,246 Set by GRIFFIN



ACROSS

1 Replaced herd or bought a pedigree animal (12)
10 Leaderless gang takes Heather fishing (7)
11 Make damp site better in a half day (7)
12 Front bulb, alight but dull (6)
13 Uproar caused tribe to leave old city (8)
15 Had any wide wheels placed out of sight (6,4)
16 Check one taken from site by motorway (4)
18 Silly craze rejected last night (4)
20 Conservative leader abandons argument – that's a change! (10)
22 Person responsible for buzzers (8)
24 Deserve backing of weary Frenchman (5)
26 Point to very good preserve for gourmet (7)
27 Oriental cooks tease sailors (7)
28 Distinguished egghead takes it to be an island (5,7)

DOWN

2 Hollow-eyed witch has to pull up (7)
3 Check pipe overturned by animals (8)
4 Strong desire to drive (4)
5 Put down for a duel I'm hit badly (10)
6 Taking shower said what Queen should do (5)
7 City editor returns to it around mid-afternoon (7)
8 Stupidly decry broth as a source of food and energy (13)
9 Tracing Mini in crash thereby indicating guilt (13)
14 Golf scores sent round to filer's home (6,4)
17 Animal group order sheep to be raised first (8)
19 Sick fellow first to find fault (7)
21 National airs transposed by Samuel's teacher (7)
23 Wake up or take up exercise (5)
25 Finding bearing during service raised alarm (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 18.

Of broking and jobbing the Pelikan's fond,
See how sweetly he puts your word onto bond.
Pelikan

JOTTER PAD

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